



Dave Yost • Auditor of State

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ontario Local School District
Richland County
457 Shelby-Ontario Road
Mansfield, Ohio 44906

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ontario Local School District, Richland County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ontario Local School District, Richland County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic 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 not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

November 28, 2016

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**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The management's discussion and analysis of Ontario Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position increased \$1,248,063. Net position of governmental activities increased \$1,316,942, which represents an 19.80% increase from 2015 deficit balance of \$6,652,410. Net position of business-type activities decreased \$55,653 or 98.86% from 2015 deficit balance of \$56,292.
- General revenues accounted for \$15,151,502 in revenue or 76.20% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$4,732,715 or 23.80% of total governmental activities revenues of \$19,884,217.
- The District had \$18,567,275 in expenses related to governmental activities; only \$4,732,715 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily property taxes and unrestricted grants and entitlements) of \$15,151,502 were used to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$16,563,429 in revenues and other financing sources and \$16,427,916 in expenditures. The fund balance of the general fund increased from a balance of \$4,841,755 to \$4,969,615.
- The District's other major governmental fund is the debt service fund. The debt service fund had \$10,493,251 in revenues and other financing sources and \$10,465,422 in expenditures and other financing uses. The fund balance of the debt service fund increased from \$2,622,287 to \$2,650,116.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has two major governmental funds: the general fund and the debt service fund. The general fund is by far the most significant fund.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* except for fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the District is divided into two distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operations and maintenance, pupil transportation, extracurricular activities and food service operations.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's preschool/latchkey programs are reported as business-type activities.

The District's statement of net position and statement of activities can be found on pages 17-19 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 20-25 of this report.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Proprietary Fund

There are two types of proprietary funds: enterprise funds and internal service funds. The enterprise funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee benefits self-insurance. The proprietary fund financial statements can be found on pages 26-28 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 29 and 30. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-70 of this report.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 71-76 of this report.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<u>Assets</u>						
Current assets	\$ 19,245,418	\$ 18,656,931	\$ 50,268	\$ 66,321	\$ 19,295,686	\$ 18,723,252
Capital assets, net	<u>22,690,383</u>	<u>22,855,123</u>	<u>6,262</u>	<u>6,827</u>	<u>22,696,645</u>	<u>22,861,950</u>
Total assets	<u>41,935,801</u>	<u>41,512,054</u>	<u>56,530</u>	<u>73,148</u>	<u>41,992,331</u>	<u>41,585,202</u>
<u>Deferred outflows of resources</u>						
Unamortized deferred charges on debt refunding	163,712	237,576	-	-	163,712	237,576
Pension	<u>2,470,050</u>	<u>1,569,361</u>	<u>19,823</u>	<u>8,331</u>	<u>2,489,873</u>	<u>1,577,692</u>
Total deferred outflows of resources	<u>2,633,762</u>	<u>1,806,937</u>	<u>19,823</u>	<u>8,331</u>	<u>2,653,585</u>	<u>1,815,268</u>
<u>Liabilities</u>						
Current liabilities	2,222,322	2,433,931	24,198	18,549	2,246,520	2,452,480
Long-term liabilities:						
Due within one year	1,477,253	1,417,751	-	12,626	1,477,253	1,430,377
Due in more than one year:						
Net pension liability	23,986,650	21,037,354	159,627	91,380	24,146,277	21,128,734
Other amounts	<u>12,052,056</u>	<u>13,237,696</u>	<u>-</u>	<u>-</u>	<u>12,052,056</u>	<u>13,237,696</u>
Total liabilities	<u>39,738,281</u>	<u>38,126,732</u>	<u>183,825</u>	<u>122,555</u>	<u>39,922,106</u>	<u>38,249,287</u>
<u>Deferred inflows of resources</u>						
Property taxes levied for the next fiscal year	8,554,853	7,851,593	-	-	8,554,853	7,851,593
PILOTS levied for the next fiscal year	46,774	182,221	-	-	46,774	182,221
Pension	<u>1,565,123</u>	<u>3,810,855</u>	<u>4,473</u>	<u>15,216</u>	<u>1,569,596</u>	<u>3,826,071</u>
Total deferred inflows of resources	<u>10,166,750</u>	<u>11,844,669</u>	<u>4,473</u>	<u>15,216</u>	<u>10,171,223</u>	<u>11,859,885</u>
<u>Net Position</u>						
Net investment in capital assets	11,325,779	10,732,941	6,262	6,827	11,332,041	10,739,768
Restricted	2,049,838	2,439,225	-	-	2,049,838	2,439,225
Unrestricted (deficit)	<u>(18,711,085)</u>	<u>(19,824,576)</u>	<u>(118,207)</u>	<u>(63,119)</u>	<u>(18,829,292)</u>	<u>(19,887,695)</u>
Total net position (deficit)	<u>\$ (5,335,468)</u>	<u>\$ (6,652,410)</u>	<u>\$ (111,945)</u>	<u>\$ (56,292)</u>	<u>\$ (5,447,413)</u>	<u>\$ (6,708,702)</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

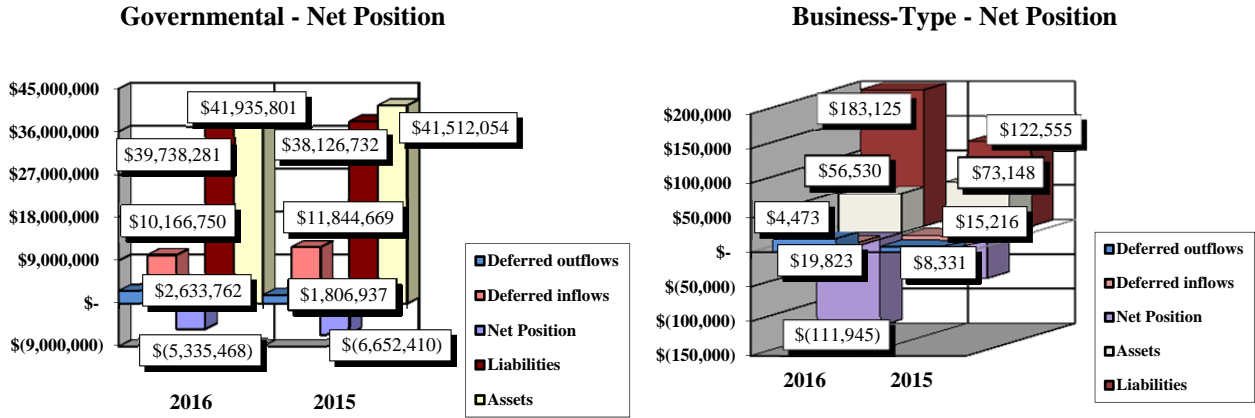
Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2016 and June 30, 2015.



The table below shows the change in net position for fiscal years 2016 and 2015.

Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services and sales	\$ 3,175,484	\$ 2,872,163	\$ 94,091	\$ 81,180	\$ 3,269,575	\$ 2,953,343
Operating grants and contributions	1,546,231	1,507,787	-	-	1,546,231	1,507,787
Capital grants and contributions	11,000	32,008	-	-	11,000	32,008
General revenues:						
Property taxes	9,504,448	10,466,870	-	-	9,504,448	10,466,870
Payments in lieu of taxes	50,112	98,312	-	-	50,112	98,312
Grants and entitlements not restricted	5,498,465	5,398,675	-	-	5,498,465	5,398,675
Investment earnings	82,191	45,194	-	-	82,191	45,194
Miscellaneous	16,286	72,230	-	-	16,286	72,230
Total revenues	19,884,217	20,493,239	94,091	81,180	19,978,308	20,574,419

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Expenses						
Program expenses:						
Instruction:						
Regular	\$ 7,500,291	\$ 7,619,633	\$ -	\$ -	\$ 7,500,291	\$ 7,619,633
Special	1,848,885	1,948,227	-	-	1,848,885	1,948,227
Vocational	183,044	210,149	-	-	183,044	210,149
Other	818,123	680,472	-	-	818,123	680,472
Support services:						
Pupil	918,912	937,976	-	-	918,912	937,976
Instructional staff	1,002,177	792,482	-	-	1,002,177	792,482
Board of education	58,772	71,148	-	-	58,772	71,148
Administration	1,190,397	1,436,884	-	-	1,190,397	1,436,884
Fiscal	604,948	579,513	-	-	604,948	579,513
Operations and maintenance	1,600,645	1,641,795	-	-	1,600,645	1,641,795
Pupil transportation	781,680	789,829	-	-	781,680	789,829
Central	21,402	33,031	-	-	21,402	33,031
Operation of non-instructional services:						
Food service operations	838,356	832,629	-	-	838,356	832,629
Other non-instructional services	5,534	18,759	-	-	5,534	18,759
Extracurricular activities	610,032	731,209	-	-	610,032	731,209
Interest and fiscal charges	584,077	628,051	-	-	584,077	628,051
Preschool/latchkey	-	-	149,744	50,819	149,744	50,819
Total expenses	<u>18,567,275</u>	<u>18,951,787</u>	<u>149,744</u>	<u>50,819</u>	<u>18,717,019</u>	<u>19,002,606</u>
Changes in net position	1,316,942	1,541,452	(55,653)	30,361	1,261,289	1,571,813
Net position at beginning of year	<u>(6,652,410)</u>	<u>(8,193,862)</u>	<u>(56,292)</u>	<u>(86,653)</u>	<u>(6,708,702)</u>	<u>(8,280,515)</u>
Net position at end of year	<u><u>\$ (5,335,468)</u></u>	<u><u>\$ (6,652,410)</u></u>	<u><u>\$ (111,945)</u></u>	<u><u>\$ (56,292)</u></u>	<u><u>\$ (5,447,413)</u></u>	<u><u>\$ (6,708,702)</u></u>

Governmental Activities

Net position of the District's governmental activities increased \$1,316,942 over the deficit balance of \$6,652,410. Total governmental expenses of \$18,567,275 were offset by program revenues of \$4,732,715, and general revenues of \$15,151,502. Program revenues supported 25.49% of the total governmental expenses.

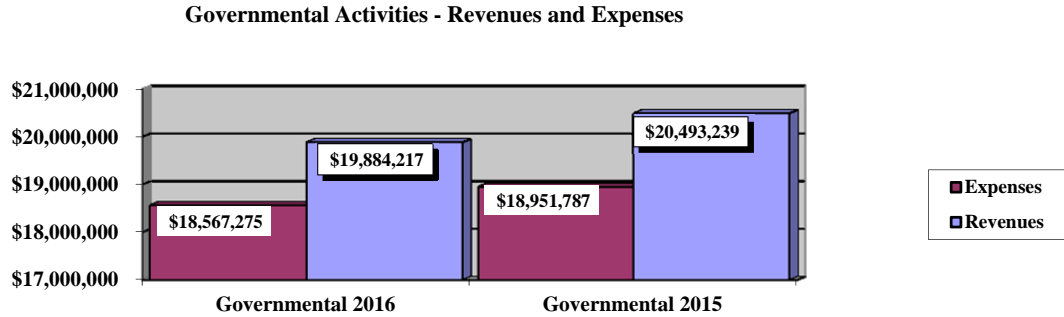
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 75.45% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,350,343 or 55.75% of total governmental expenses for fiscal year 2016.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.



The statement of activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2016 and 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

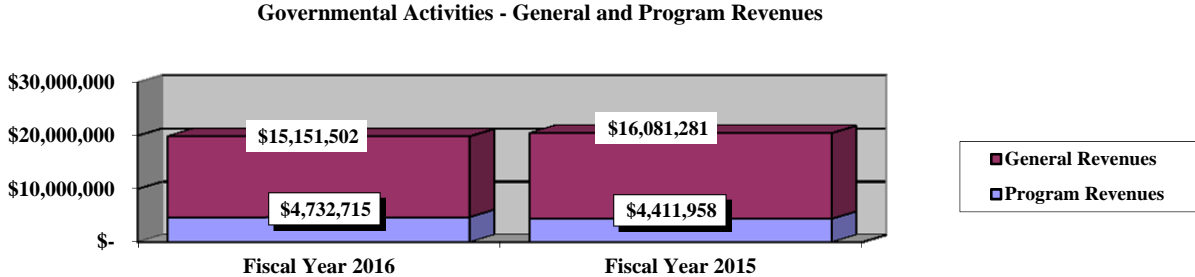
	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Program expenses:				
Instruction:				
Regular	\$ 7,500,291	\$ 5,186,841	\$ 7,619,633	\$ 5,422,531
Special	1,848,885	721,923	1,948,227	1,054,181
Vocational	183,044	166,788	210,149	192,541
Other	818,123	818,123	680,472	680,472
Support services:				
Pupil	918,912	852,041	937,976	886,630
Instructional staff	1,002,177	977,568	792,482	777,269
Board of education	58,772	58,772	71,148	71,148
Administration	1,190,397	1,190,397	1,436,884	1,436,884
Fiscal	604,948	604,710	579,513	579,284
Operations and maintenance	1,600,645	1,594,768	1,641,795	1,605,469
Pupil transportation	781,680	749,259	789,829	745,662
Central	21,402	21,402	33,031	33,031
Operation of non-instructional services:				
Food service operations	838,356	(48,866)	832,629	26,376
Other non-instructional services	5,534	4,246	18,759	17,855
Extracurricular activities	610,032	352,511	731,209	382,482
Interest and fiscal charges	584,077	584,077	628,051	628,014
Total expenses	<u><u>\$ 18,567,275</u></u>	<u><u>\$ 13,834,560</u></u>	<u><u>\$ 18,951,787</u></u>	<u><u>\$ 14,539,829</u></u>

The dependence upon tax revenues during fiscal year 2016 for governmental activities is apparent, as 68.31% of 2016 instruction activities are supported through taxes and other general revenues. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for the District's students.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.



Business-Type Activities

Business-type activities include preschool/latchkey operations. These programs had revenues of \$94,091 and expenses of \$149,744 for fiscal year 2016. The District's business-type activities do not receive support from tax revenues.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$7,918,647, which is \$74,769 less than last year's total of \$7,993,416. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance <u>June 30, 2016</u>	Fund Balance <u>June 30, 2015</u>	Increase (Decrease)
General	\$ 4,969,615	\$ 4,841,755	\$ 127,860
Debt Service	2,650,116	2,622,287	27,829
Other governmental	<u>298,916</u>	<u>529,374</u>	<u>(230,458)</u>
Total	<u>\$ 7,918,647</u>	<u>\$ 7,993,416</u>	<u>\$ (74,769)</u>

General Fund

The District's general fund balance increased \$127,860 during fiscal year 2016. The table that follows assists in illustrating the revenues of the general fund.

	<u>2016 Amount</u>	<u>2015 Amount</u>	<u>Percentage Change</u>
Revenues			
Taxes	\$ 8,212,386	\$ 9,132,346	(10.07) %
Intergovernmental	5,569,346	5,389,786	3.33 %
Other revenues	<u>2,667,197</u>	<u>2,404,460</u>	10.93 %
Total	<u>\$ 16,448,929</u>	<u>\$ 16,926,592</u>	(2.82) %

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Tax revenue decreased by \$919,960 or 10.07% from fiscal year 2015, partially due to a decrease of \$522,574 in the amount of taxes available for advance, which is determined by timing of the tax bills sent by the County auditor. Other revenues increased \$262,737 or 10.93% from fiscal year 2015. The increase was primarily due to an increase in tuition of \$344,985 due to an increase in open enrollment in the current fiscal year. All other revenues remained consistent with prior fiscal year.

The table that follows assists in illustrating the expenditures of the general fund.

	2016 <u>Amount</u>	2015 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 9,819,942	\$ 9,490,729	3.47 %
Support services	5,887,443	6,096,224	(3.42) %
Operation of non-instructional services	-	16,711	100.00 %
Extracurricular activities	357,609	363,143	(1.52) %
Facilities acquisition and construction	69,060	7,744	791.79 %
Debt service	179,362	163,555	9.66 %
Capital outlay	<u>114,500</u>	<u>-</u>	100.00 %
Total	<u>\$ 16,427,916</u>	<u>\$ 16,138,106</u>	1.80 %

Capital outlay increased \$114,500 or 100.00% due to the District entering into a capital lease for copiers in fiscal year 2016. Facilities acquisition and construction increased \$61,316 or 791.79% due to the increase of building expenditures in fiscal year 2016. Operation of non-instructional services decreased \$16,711 or 100.00% due to the District entering into a one-time contract with Galion School District to share costs for a transportation employee in fiscal year 2015. All other expenditures remained consistent with prior fiscal year.

Debt Service Fund

The District's other major governmental fund is the debt service fund. The debt service fund had \$10,493,251 in revenues and other financing sources and \$10,465,422 in expenditures and other financing uses. The fund balance of the debt service fund increased \$27,829 from \$2,622,287 to \$2,650,116.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$447,766 below actual revenues and other financing sources of \$17,150,435. The original budgeted revenues and other financing sources of \$16,677,669 were \$25,000 lower than final budgeted revenues and other financing sources of \$16,702,669.

General fund final appropriations and other financing uses were \$16,544,201. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$16,352,960, which was \$191,241 less than the final budget appropriations. The final appropriations were \$6,089 greater than the original appropriations of \$16,538,112.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$22,696,645 invested in land, land/improvements, buildings/improvements, furniture/equipment, vehicles, and infrastructure. \$22,690,383 was reported in the governmental activities and \$6,262 was reported in the business-type activities. The following table shows fiscal year 2016 balances compared to 2015:

**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 40,839	\$ 40,839	\$ -	\$ -	\$ 40,839	\$ 40,839
Land/improvements	701,707	725,778	6,262	6,827	707,969	732,605
Building/improvements	19,604,695	19,979,802	-	-	19,604,695	19,979,802
Furniture/equipment	1,244,828	1,007,687	-	-	1,244,828	1,007,687
Vehicles	622,445	609,232	-	-	622,445	609,232
Infrastructure	<u>475,869</u>	<u>491,785</u>	<u>-</u>	<u>-</u>	<u>475,869</u>	<u>491,785</u>
Total	<u>\$ 22,690,383</u>	<u>\$ 22,855,123</u>	<u>\$ 6,262</u>	<u>\$ 6,827</u>	<u>\$ 22,696,645</u>	<u>\$ 22,861,950</u>

See Note 9 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2016 the District had \$11,999,245 in general obligation bonds, capital leases, tax anticipation notes, and energy conservation notes outstanding. The general obligation bond issue is comprised of current issue bonds and capital appreciation bonds. Of this total debt outstanding, \$507,478 is due within one year and \$11,491,767 is due in more than one year. The following table summarizes the bonds, leases, and notes outstanding:

Outstanding Debt, at June 30

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
Current interest bonds	\$ 8,920,000	\$ 10,240,000
Capital appreciation bonds	74,996	74,996
Capital appreciation bonds - accreted interest	907,885	702,642
Capital leases	229,078	174,883
Tax anticipation note	388,000	485,000
Energy conservation notes	<u>1,479,286</u>	<u>1,589,210</u>
Total	<u>\$ 11,999,245</u>	<u>\$ 13,266,731</u>

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

The District issued the general obligation bonds in 1999 to provide funds for various District building projects. The annual interest rate ranges from 4.05% to 5.375% and the bonds are scheduled to mature in fiscal year 2024. The District refunded \$10,000,000 of the current interest bonds during fiscal year 2006. The refunding bonds are comprised of both current interest bonds and capital appreciation bonds and are scheduled to mature in fiscal year 2024. The annual interest rate on the current interest refunding bonds ranges from 3.50% to 4.75%. The District refunded \$4,020,000 of the current interest bonds during fiscal year 2007. The refunding bonds are comprised of both current interest bonds and capital appreciation bonds that matured in fiscal year 2016. The annual interest rate on the current interest refunding bonds ranges from 3.55% to 3.875%. The District refunded \$8,695,000 of the current interest bonds during fiscal year 2016. The refunding bonds annual interest rate ranges from 2.00% to 3.00% and the refunding bonds are scheduled to mature in fiscal year 2024.

See Note 11 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The District anticipates revenues to exceed expenditures the next year due to property tax increases and additional open enrollment students. Open enrollment remains the key in stabilizing the District's current financial situation. The most important factors going forward for the District's finances are to what extent will the State fund its funding formula and how the State will handle the Tangible Personal Property Hold Harmless payments. This is why the District belongs to the Coalition for Fiscal Fairness in Ohio (CFFO). This organization is comprised of twenty school districts with high dependency on the Tangible Personal Property Hold Harmless payments. The single-issue group provides vital information to legislators concerning the impact of eliminating these payments.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Randall K. Harvey, Treasurer, Ontario Local School District, 457 Shelby-Ontario Road, Ontario, Ohio 44906-1029.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 8,012,614	\$ 50,201	\$ 8,062,815
Receivables:			
Property taxes	10,591,360	-	10,591,360
Payment in lieu of taxes	46,774	-	46,774
Accounts	45	-	45
Accrued interest	5,466	-	5,466
Intergovernmental	384,767	-	384,767
Prepayments	11,520	67	11,587
Materials and supplies inventory	192,872	-	192,872
Capital assets:			
Nondepreciable capital assets	40,839	-	40,839
Depreciable capital assets, net.	22,649,544	6,262	22,655,806
Capital assets, net.	22,690,383	6,262	22,696,645
Total assets	<u>41,935,801</u>	<u>56,530</u>	<u>41,992,331</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	163,712	-	163,712
Pension - STRS	1,953,650	-	1,953,650
Pension - SERS	516,400	19,823	536,223
Total deferred outflows of resources	<u>2,633,762</u>	<u>19,823</u>	<u>2,653,585</u>
Liabilities:			
Accounts payable	19,437	-	19,437
Accrued wages and benefits payable	1,730,049	11,790	1,741,839
Intergovernmental payable.	21,183	152	21,335
Pension obligation payable.	254,617	521	255,138
Accrued interest payable.	20,782	-	20,782
Unearned revenue	-	11,735	11,735
Claims payable	176,254	-	176,254
Long-term liabilities:			
Due within one year	1,477,253	-	1,477,253
Due in more than one year:			
Net pension liability.	23,986,650	159,627	24,146,277
Other amounts due in more than one year	12,052,056	-	12,052,056
Total liabilities.	<u>39,738,281</u>	<u>183,825</u>	<u>39,922,106</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	8,554,853	-	8,554,853
Payment in lieu of taxes levied for the next fiscal year	46,774	-	46,774
Pension - STRS.	1,448,602	-	1,448,602
Pension - SERS.	116,521	4,473	120,994
Total deferred inflows of resources.	<u>10,166,750</u>	<u>4,473</u>	<u>10,171,223</u>
Net position:			
Net investment in capital assets	11,325,779	6,262	11,332,041
Restricted for:			
Capital projects	53,367	-	53,367
Debt service	1,768,253	-	1,768,253
Federally funded programs.	147	-	147
Student activities.	55,828	-	55,828
Other purposes	172,243	-	172,243
Unrestricted (deficit)	(18,711,085)	(118,207)	(18,829,292)
Total net position (deficit)	<u>\$ (5,335,468)</u>	<u>\$ (111,945)</u>	<u>\$ (5,447,413)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 7,500,291	\$ 2,258,444	\$ 54,677	\$ 329
Special	1,848,885	190,661	936,301	-
Vocational	183,044	-	16,256	-
Other	818,123	-	-	-
Support services:				
Pupil.	918,912	65,713	1,158	-
Instructional staff	1,002,177	-	18,127	6,482
Board of education	58,772	-	-	-
Administration.	1,190,397	-	-	-
Fiscal.	604,948	-	-	238
Operations and maintenance	1,600,645	5,877	-	-
Pupil transportation.	781,680	-	28,470	3,951
Central	21,402	-	-	-
Operation of non-instructional services:				
Other non-instructional services	5,534	-	1,288	-
Food service operations	838,356	404,222	483,000	-
Extracurricular activities.	610,032	250,567	6,954	-
Interest and fiscal charges	584,077	-	-	-
Total governmental activities	18,567,275	3,175,484	1,546,231	11,000
Business-type activities:				
Preschool/ latchkey.	149,744	94,091	-	-
Total business-type activities	149,744	94,091	-	-
Totals	\$ 18,717,019	\$ 3,269,575	\$ 1,546,231	\$ 11,000

General revenues:

Property taxes levied for:

General purposes

Debt service.

Capital outlay

Payments in lieu of taxes

Grants and entitlements not restricted
to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position (deficit) at beginning of year.

Net position (deficit) at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (5,186,841)	\$ -	\$ (5,186,841)
(721,923)	-	(721,923)
(166,788)	-	(166,788)
(818,123)	-	(818,123)
(852,041)	-	(852,041)
(977,568)	-	(977,568)
(58,772)	-	(58,772)
(1,190,397)	-	(1,190,397)
(604,710)	-	(604,710)
(1,594,768)	-	(1,594,768)
(749,259)	-	(749,259)
(21,402)	-	(21,402)
(4,246)	-	(4,246)
48,866	-	48,866
(352,511)	-	(352,511)
(584,077)	-	(584,077)
(13,834,560)	-	(13,834,560)
-	(55,653)	(55,653)
-	(55,653)	(55,653)
(13,834,560)	(55,653)	(13,890,213)
8,214,142	-	8,214,142
1,055,754	-	1,055,754
234,552	-	234,552
50,112	-	50,112
5,498,465	-	5,498,465
82,191	-	82,191
16,286	-	16,286
15,151,502	-	15,151,502
1,316,942	(55,653)	1,261,289
(6,652,410)	(56,292)	(6,708,702)
\$ (5,335,468)	\$ (111,945)	\$ (5,447,413)

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 5,112,708	\$ 2,470,962	\$ 298,944	\$ 7,882,614
Receivables:				
Property taxes.	9,155,174	1,175,151	261,035	10,591,360
Payment in lieu of taxes	46,774	-	-	46,774
Accounts	45	-	-	45
Accrued interest	5,466	-	-	5,466
Interfund loans	69,602	-	-	69,602
Intergovernmental.	327,354	-	57,413	384,767
Prepayments.	10,937	-	583	11,520
Materials and supplies inventory.	178,978	-	13,894	192,872
Total assets	<u>\$ 14,907,038</u>	<u>\$ 3,646,113</u>	<u>\$ 631,869</u>	<u>\$ 19,185,020</u>
Liabilities:				
Accounts payable	\$ 19,437	\$ -	\$ -	\$ 19,437
Accrued wages and benefits payable	1,637,186	-	92,863	1,730,049
Compensated absences payable	22,725	-	-	22,725
Intergovernmental payable	20,062	-	1,121	21,183
Pension obligation payable	236,888	-	17,729	254,617
Total liabilities.	<u>1,936,298</u>	<u>-</u>	<u>111,713</u>	<u>2,048,011</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	7,394,817	949,193	210,843	8,554,853
Payment in lieu of taxes levied for the next fiscal year	46,774	-	-	46,774
Delinquent property tax revenue not available.	364,634	46,804	10,397	421,835
Accrued interest not available.	2,709	-	-	2,709
Intergovernmental revenue not available.	192,191	-	-	192,191
Total deferred inflows of resources	<u>8,001,125</u>	<u>995,997</u>	<u>221,240</u>	<u>9,218,362</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	178,978	-	13,894	192,872
Prepays.	10,937	-	583	11,520
Restricted:				
Debt service	-	2,650,116	-	2,650,116
Capital improvements	-	-	42,970	42,970
Food service operations	-	-	185,687	185,687
Targeted academic assistance	-	-	1	1
Extracurricular.	-	-	55,781	55,781
Assigned:				
Student and staff support.	54,055	-	-	54,055
School supplies	2	-	-	2
Unassigned	4,725,643	-	-	4,725,643
Total fund balances	<u>4,969,615</u>	<u>2,650,116</u>	<u>298,916</u>	<u>7,918,647</u>
Total liabilities, deferred inflows and fund balances.	<u>\$ 14,907,038</u>	<u>\$ 3,646,113</u>	<u>\$ 631,869</u>	<u>\$ 19,185,020</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$	7,918,647
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			22,690,383
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	421,835	
Accrued interest receivable		2,709	
Intergovernmental receivable		192,191	
Total		616,735	616,735
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			(115,856)
Unamortized premiums on bonds issued are not recognized in the funds.			(436,956)
Unamortized amounts on refundings are not recognized in the funds.			163,712
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(20,782)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		2,470,050	
Deferred inflows of resources - pension		(1,565,123)	
Net pension liability		(23,986,650)	
Total		(23,081,723)	(23,081,723)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(9,902,881)	
General obligation tax anticipation note		(388,000)	
Capital lease obligations		(229,078)	
Compensated absences		(1,070,383)	
Notes payable		(1,479,286)	
Total		(13,069,628)	(13,069,628)
Net position of governmental activities		\$	(5,335,468)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 8,212,386	\$ 1,055,564	\$ 234,504	\$ 9,502,454
Payment in lieu of taxes	50,112	-	-	50,112
Tuition.	2,304,158	-	-	2,304,158
Earnings on investments	82,047	-	517	82,564
Charges for services	-	-	404,222	404,222
Extracurricular.	34,806	-	249,217	284,023
Classroom materials and fees	166,373	-	-	166,373
Rental income	5,877	-	-	5,877
Contributions and donations	7,538	-	36,921	44,459
Other local revenues	16,286	-	1,350	17,636
Intergovernmental - state	5,363,809	416,522	62,506	5,842,837
Intergovernmental - federal	205,537	-	962,346	1,167,883
Total revenues	<u>16,448,929</u>	<u>1,472,086</u>	<u>1,951,583</u>	<u>19,872,598</u>
Expenditures:				
Current:				
Instruction:				
Regular.	7,401,795	-	61,154	7,462,949
Special	1,423,281	-	448,642	1,871,923
Vocational	176,580	-	-	176,580
Other	818,286	-	-	818,286
Support services:				
Pupil	918,983	-	1,176	920,159
Instructional staff	894,970	-	163,313	1,058,283
Board of education	58,977	-	-	58,977
Administration	1,181,824	-	-	1,181,824
Fiscal	589,897	21,071	5,316	616,284
Operations and maintenance	1,539,869	-	-	1,539,869
Pupil transportation	681,387	-	88,431	769,818
Central	21,536	-	-	21,536
Operation of non-instructional services:				
Other operation of non-instructional.	-	-	1,297	1,297
Food service operations.	-	-	816,753	816,753
Extracurricular activities	357,609	-	307,161	664,770
Facilities acquisition and construction.	69,060	-	141,277	210,337
Capital outlay	114,500	-	-	114,500
Debt service:				
Principal retirement.	138,355	1,205,000	128,874	1,472,229
Interest and fiscal charges	41,007	218,186	16,073	275,266
Bond issuance costs	-	151,916	-	151,916
Total expenditures	<u>16,427,916</u>	<u>1,596,173</u>	<u>2,179,467</u>	<u>20,203,556</u>
Excess (deficiency) of revenues over (under) expenditures.	21,013	(124,087)	(227,884)	(330,958)
Other financing sources (uses):				
Premium on bonds	-	441,165	-	441,165
Sale of bonds.	-	8,580,000	-	8,580,000
Capital lease transaction	114,500	-	-	114,500
Payment to refunding bond escrow agent	-	(8,869,249)	-	(8,869,249)
Total other financing sources (uses)	<u>114,500</u>	<u>151,916</u>	<u>-</u>	<u>266,416</u>
Net change in fund balances	135,513	27,829	(227,884)	(64,542)
Fund balances at beginning of year.	4,841,755	2,622,287	529,374	7,993,416
Decrease in reserve for inventory	(7,653)	-	(2,574)	(10,227)
Fund balances at end of year.	\$ 4,969,615	\$ 2,650,116	\$ 298,916	\$ 7,918,647

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds \$ (64,542)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$	796,039	
Current year depreciation		(953,489)	
Total			(157,450)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.

(7,290)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.

(10,227)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		1,994	
Earnings on investments		144	
Intergovernmental		9,481	
Total			11,619

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:

Bonds		1,205,000	
Notes		206,924	
Capital leases		60,305	
Total			1,472,229

Refunding bond issuances and capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.

Refunding bonds		(8,580,000)	
Capital leases		(114,500)	
Total			(8,694,500)

(Continued)

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:

Bonds refunded	8,695,000	
Deferred charges on refundings	174,249	
Total	8,869,249	8,869,249

Premiums on bond related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. (441,165)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	11,583	
Accreted interest on capital appreciation bonds	(205,243)	
Amortization of bond premiums	88,224	
Amortization of deferred charges	(51,459)	
Total	(156,895)	(156,895)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amount as deferred outflows. 1,367,611

Except for amounts reported as deferred inflows/ outflows, changes in the net pension liability are reported as pension expense in the statement of activities (1,170,486)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (8,877)

An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 307,666

Change in net position of governmental activities \$ 1,316,942

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 8,550,827	\$ 8,550,827	\$ 8,734,960	\$ 184,133
Tuition.	2,276,135	2,276,135	2,292,868	16,733
Earnings on investments	41,032	41,032	54,977	13,945
Classroom materials and fees	130,843	130,843	122,508	(8,335)
Rental income	5,897	5,897	5,877	(20)
Contributions and donations	1,000	1,000	-	(1,000)
Other local revenues	128,172	128,172	59,590	(68,582)
Intergovernmental - state	5,167,892	5,192,892	5,380,878	187,986
Intergovernmental - federal	66,757	66,757	184,215	117,458
Total revenues	<u>16,368,555</u>	<u>16,393,555</u>	<u>16,835,873</u>	<u>442,318</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,427,153	7,414,606	7,388,790	25,816
Special.	1,560,384	1,580,152	1,424,991	155,161
Vocational.	220,562	220,866	212,254	8,612
Other.	724,768	723,444	818,458	(95,014)
Support services:				
Pupil.	888,822	882,602	871,547	11,055
Instructional staff	931,876	936,953	875,063	61,890
Board of education	65,742	65,647	58,804	6,843
Administration.	1,187,158	1,185,974	1,186,998	(1,024)
Fiscal	562,077	561,935	581,280	(19,345)
Operations and maintenance.	1,580,516	1,598,026	1,560,828	37,198
Pupil transportation	772,350	755,919	699,982	55,937
Central.	26,463	26,427	21,986	4,441
Extracurricular activities.	368,272	370,154	359,794	10,360
Facilities acquisition and construction	72,552	72,434	72,928	(494)
Debt service:				
Principal	108,236	108,061	108,061	-
Interest and fiscal charges.	41,068	41,001	41,594	(593)
Total expenditures	<u>16,537,999</u>	<u>16,544,201</u>	<u>16,283,358</u>	<u>260,843</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(169,444)</u>	<u>(150,646)</u>	<u>552,515</u>	<u>703,161</u>
Other financing sources (uses):				
Refund of prior year's expenditures	11,028	11,028	11,226	198
Advances in.	296,611	296,611	301,926	5,315
Advances (out)	(113)	-	(69,602)	(69,602)
Sale of capital assets	1,475	1,475	1,410	(65)
Total other financing sources (uses)	<u>309,001</u>	<u>309,114</u>	<u>244,960</u>	<u>(64,154)</u>
Net change in fund balance	139,557	158,468	797,475	639,007
Fund balance at beginning of year	4,227,451	4,227,451	4,227,451	-
Prior year encumbrances appropriated	1,955	1,955	1,955	-
Fund balance at end of year	<u>\$ 4,368,963</u>	<u>\$ 4,387,874</u>	<u>\$ 5,026,881</u>	<u>\$ 639,007</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Funds
Assets:		
Equity in pooled cash and cash equivalents	\$ 50,201	\$ 130,000
Prepayments	67	-
Total current assets	50,268	130,000
Noncurrent assets:		
Depreciable capital assets, net	6,262	-
Total assets.	56,530	130,000
Deferred outflows of resources:		
Pension - SERS	19,823	-
Total deferred outflows of resources	19,823	-
Liabilities:		
Accrued wages and benefits	11,790	-
Pension obligation payable.	521	-
Interfund loan payable	-	69,602
Intergovernmental payable	152	-
Claims payable	-	176,254
Net pension liability	159,627	-
Unearned revenue	11,735	-
Total liabilities	183,825	245,856
Deferred inflows of resources:		
Pension - SERS	4,473	-
Total deferred inflows of resources	4,473	-
Net position:		
Investment in capital assets	6,262	-
Unrestricted (deficit).	(118,207)	(115,856)
Total net position (deficit).	\$ (111,945)	\$ (115,856)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Funds
	Funds	Service Funds
Operating revenues:		
Tuition and fees	\$ 94,091	\$ -
Charges for services	-	2,334,989
Total operating revenues	94,091	2,334,989
Operating expenses:		
Personal services	131,731	-
Purchased services	12,168	388,870
Materials and supplies	5,280	-
Claims	-	1,638,453
Depreciation	565	-
Total operating expenses	149,744	2,027,323
Change in net position	(55,653)	307,666
Net position (deficit) at beginning of year	(56,292)	(423,522)
Net position (deficit) at end of year	\$ (111,945)	\$ (115,856)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Funds
Cash flows from operating activities:		
Cash received from tuition and fees	\$ 97,171	\$ -
Cash received from charges for services.	-	2,334,989
Cash payments for personal services.	(95,843)	-
Cash payments for contractual services	(12,168)	(388,870)
Cash payments for materials and supplies	(5,280)	-
Cash payments for claims	-	(1,583,795)
	(16,120)	362,324
Net cash provided by (used in) operating activities . . .	(16,120)	362,324
Cash flows from noncapital financing activities:		
Cash received from interfund loans	-	69,602
Cash used in repayment of interfund loans.	-	(301,926)
	-	(232,324)
Net cash provided by noncapital financing activities.	-	(232,324)
Net increase (decrease) in cash and cash equivalents . . .	(16,120)	130,000
Cash and cash equivalents at beginning of year . . .	66,321	-
Cash and cash equivalents at end of year	\$ 50,201	\$ 130,000
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (55,653)	\$ 307,666
Adjustments:		
Depreciation	565	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Increase in Net pension liability	68,247	-
Decrease in Deferred outflows- SERS	1,190	-
(Increase) in Deferred outflows- STRS	(12,682)	-
(Decrease) in Deferred inflows- SERS	(7,609)	-
(Decrease) in Deferred inflows- STRS	(3,134)	-
(Increase) in prepayments	(67)	-
Increase in accrued wages and benefits	3,909	-
(Decrease) in intergovernmental payable	(148)	-
(Decrease) in compensated absences payable.	(12,626)	-
(Decrease) in pension obligation payable.	(1,192)	-
Increase in unearned revenue.	3,080	-
Increase in claims payable	-	54,658
	-	54,658
Net cash provided by (used in) operating activities. . . .	\$ (16,120)	\$ 362,324

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ -	\$ 68,386
Cash in segregated accounts.	<u>23,375</u>	<u>-</u>
Total assets	<u>23,375</u>	<u>\$ 68,386</u>
Liabilities:		
Intergovernmental payable	-	\$ 3,911
Due to students.	<u>-</u>	<u>64,475</u>
Total liabilities	<u>-</u>	<u>\$ 68,386</u>
Net position:		
Held in trust for scholarships	<u>23,375</u>	
Total net position.	<u>\$ 23,375</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 605
Gifts and contributions.	5,500
Total additions.	6,105
 Deductions:	
Scholarships awarded	6,000
 Change in net position.	105
Net position at beginning of year	23,270
Net position at end of year.	\$ 23,375

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Ontario Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected five-member Board of Education (Board) and provides educational services as authorized by state and/or federal agencies. The Board controls the District's four instructional/support facilities which are staffed by 61 classified, 109 certified teaching personnel and 11 administrators who provide services to 2,009 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG 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. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2016, the District paid \$195,109 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

INSURANCE PURCHASING POOLS

Workers' Compensation Group Rating Plan

The District participates in a group retrospective rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Workers' Compensation Group Rating Plan (GRP) was sponsored by the Lima/Allen County Chamber of Commerce as a group purchasing pool.

Each year, the participating school districts pay an enrolment fee to the Plan to cover the costs of administering the program.

Ohio School Benefits Cooperative

The District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of 24 members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be District and/or educational service center administrators. The Muskingum Valley Education Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life, and/or other group insurance coverages for their employees and the eligible dependents, and designated beneficiaries of such employees, and propose to have certain other eligible districts or groups of districts join them for the same purposes. Participants pay a \$500 membership fee to OSBC. OSBC offers two options to participants

Participants may enroll in the join insurance purchasing program for medical, prescription drug, vision, dental, and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of Education Service Center superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC. The District elected to participate in the joint insurance purchasing program for medical coverage.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

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

GROUP PURCHASING POOL

Metropolitan Educational Council (MEC)

The District is a member of the Metropolitan Educational Council (MEC) purchasing group. The following items are purchased through this group discount program: custodial products, food service products, audio visual bulbs, and certain paper products. The MEC also provides a Self-Help Gas Program where members save significant amounts on natural gas purchases. The District paid MEC a total of \$40,131 in administrative fees during fiscal year 2016.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. Each category is separated into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows and liabilities and deferred inflows is reported as fund balance. The following are the District's major governmental funds:

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

Debt service fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment.

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

PROPRIETARY FUNDS

The proprietary fund is used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

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

Enterprise fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's only nonmajor enterprise fund is the preschool/latchkey fund which accounts for parent paid tuition to provide preschool services for 3 and 4 year-olds and to provide childcare services for 2 hours before and after school.

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical, dental and vision benefits to employees.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary funds. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities and current deferred inflows, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the preschool/latchkey enterprise fund are tuition and fees. Operating expenses for the enterprise fund include the cost of sales and services, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report results of operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party essentially gives and receives equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments and the change in proportionate share related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses/expenditures are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated budget for all funds except agency funds. The specific timetable for fiscal year 2016 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2016.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2016. The amounts reported in the budgetary statement reflect the original and final appropriations, including all amendments.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

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

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level, which is the legal level of control.

F. Cash and Investments

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

During fiscal year 2016, investments were limited to federal agency securities, certificates of deposit, State Treasury Asset Reserve of Ohio (STAR Ohio) and an open-ended mutual fund. Investments are reported at fair value, which is based on quoted market prices, with the following exceptions: participating investment contracts such as certificates of deposit are reported at cost.

STAR 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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal year 2016, interest revenue credited to the general fund amounted to \$82,047, which included \$32,062 assigned from other District funds.

The open-ended mutual fund is invested primarily in U.S. governmental obligations which are an allowable investment according to Ohio Statute. The District has been endowed with a gift of the Lincoln National variable annuity to its private-purpose trust fund. This investment is presented as "cash and cash equivalents in segregated accounts" on the statement of fiduciary net position. No public funds were used to acquire the annuity.

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

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

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

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of Net Position and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land/improvements	10 - 45 years	10 - 45 years
Buildings/improvements	10 - 50 years	N/A
Furniture/equipment	5 - 20 years	N/A
Vehicles	12 - 13 years	N/A
Infrastructure	50 years	N/A

I. Unamortized Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as deferred inflow or outflow of resources.

On the governmental fund financial statements and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.A.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported in the fund financial statements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and notes are recognized as a liability on the fund financial statements when due.

L. Fund Balance

The District reports classifications of fund balance based on the purpose for which resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable - resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

Restricted - resources that have purpose constraints placed upon them by laws, regulations, creditors, grantors, or other external parties are considered available only for the purpose for which they were received.

Committed - resources that are constrained for specific purposes that are internally imposed by the District at its highest level of decision making authority, the Board of Education. With an affirmative vote of its members, the Board of Education may create funds for which resources are committed to the established purpose of that fund.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

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

Assigned - resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

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

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the preschool/latchkey programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

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

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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 revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2016, the District did not incur any transactions that would be classified as an extraordinary item or special item.

S. Pensions

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

T. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the School District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School District.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School District.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year-end, the District had \$500 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$1,114,818. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$724,753 of the District's bank balance of \$1,251,864 was exposed to custodial risk as discussed below, while \$527,111 was covered by the FDIC.

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

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FNMA	\$ 550,391	\$ -	\$ -	\$ 300,048	\$ -	\$ 250,343
Negotiable CD's	3,019,329	-	99,076	300,802	247,388	2,372,063
STAR Ohio	3,451,663	3,451,663	-	-	-	-
Lincoln National annuity mutual fund	17,875	17,875	-	-	-	-
Total	\$ 7,039,258	\$ 3,469,538	\$ 99,076	\$ 600,850	\$ 247,388	\$ 2,622,406

The weighted average maturity of investments is 1.65 years.

The District's investments are valued at fair market value using quoted market prices (Level 1 inputs).

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Credit Risk: The Lincoln National Annuity Mutual Fund was rated Aaa by Moody's Investor Services. Standard & Poor's has assigned STAR Ohio an AAAM money market rating and the Lincoln National Annuity Mutual Fund a AA- rating.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 550,391	7.82
Negotiable CD's	3,019,329	42.89
STAR Ohio	3,451,663	49.04
Lincoln National annuity mutual fund	17,875	0.25
Total	\$ 7,039,258	100.00

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,114,818
Investments	7,039,258
Cash on hand	<u>500</u>
Total	<u>\$ 8,154,576</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 8,012,614
Business-type activities	50,201
Private-purpose trust fund	23,375
Agency funds	<u>68,386</u>
Total	<u>\$ 8,154,576</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Richland County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$1,395,723 in the general fund, \$179,154 in the debt service fund and \$39,795 in the permanent improvement fund (a nonmajor governmental fund). The amount available for advance at June 30, 2015 was \$1,918,297 in the general fund, \$246,420 in the debt service fund and \$54,707 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 5 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

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

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 270,950,370	96.82	\$ 274,413,100	96.75
Public utility personal	<u>8,901,830</u>	<u>3.18</u>	<u>9,210,970</u>	<u>3.25</u>
Total	<u>\$ 279,852,200</u>	<u>100.00</u>	<u>\$ 283,624,070</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$45.60		\$45.50	
Debt service	4.50		4.50	
Permanent improvement	1.00		1.00	

NOTE 6 - INTERFUND TRANSACTIONS

Interfund loans to/from other funds consisted of the following at June 30, 2016, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Internal service fund	<u>\$ 69,602</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2016 are reported on the statement of net position.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees) accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 10,591,360
Accounts	45
Intergovernmental	384,767
Accrued interest	5,466
Payments in lieu of taxes	<u>46,774</u>
 Total	 <u><u>\$ 11,028,412</u></u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - PAYMENT IN LIEU OF TAXES

The City of Ontario has entered into an agreement with a property owner under which the City granted property tax abatements to the property owner and agreed to construct certain infrastructure improvements. The property owner has agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. The District received \$50,112 in revenue for payments in lieu of taxes in the general fund during fiscal year 2016.

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**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 9 - CAPITAL ASSETS

A. Governmental activities

Capital asset activity for the governmental activities for the fiscal year ended June 30, 2016, was as follows:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2016</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 40,839	\$ -	\$ -	\$ 40,839
Total capital assets, not being depreciated	<u>40,839</u>	<u>-</u>	<u>-</u>	<u>40,839</u>
<i>Capital assets, being depreciated:</i>				
Land/improvements	1,549,874	42,176	-	1,592,050
Building/improvements	30,761,442	226,844	-	30,988,286
Furniture/equipment	2,934,187	426,841	(76,847)	3,284,181
Vehicles	1,642,838	100,178	(47,619)	1,695,397
Infrastructure	708,701	-	-	708,701
Total capital assets, being depreciated	<u>37,597,042</u>	<u>796,039</u>	<u>(124,466)</u>	<u>38,268,615</u>
<i>Less: accumulated depreciation</i>				
Land/improvements	(824,096)	(66,247)	-	(890,343)
Building/improvements	(10,781,640)	(601,951)	-	(11,383,591)
Furniture/equipment	(1,926,500)	(182,410)	69,557	(2,039,353)
Vehicles	(1,033,606)	(86,965)	47,619	(1,072,952)
Infrastructure	(216,916)	(15,916)	-	(232,832)
Total accumulated depreciation	<u>(14,782,758)</u>	<u>(953,489)</u>	<u>117,176</u>	<u>(15,619,071)</u>
Governmental activities capital assets, net	<u>\$ 22,855,123</u>	<u>\$ (157,450)</u>	<u>\$ (7,290)</u>	<u>\$ 22,690,383</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 467,072
Special	22,633
Vocational	11,411
<u>Support services:</u>	
Pupil	23,796
Instructional staff	93,042
Administration	18,472
Fiscal	2,852
Operations and maintenance	67,561
Pupil transportation	103,844
<u>Operation of non-instructional services:</u>	
Other non-instructional services	4,237
Food service operations	48,133
Extracurricular activities	<u>90,436</u>
Total depreciation expense	<u>\$ 953,489</u>

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-Type Activities

Capital asset activity for the business-type activities for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2016</u>
Business-type activities:				
Capital assets, being depreciated:				
Land improvements	\$ 11,300	\$ -	\$ -	\$ 11,300
Less: accumulated depreciation	<u>(4,473)</u>	<u>(565)</u>	<u>-</u>	<u>(5,038)</u>
Business-type activities capital assets, net	<u>\$ 6,827</u>	<u>\$ (565)</u>	<u>\$ -</u>	<u>\$ 6,262</u>

NOTE 10 - CAPITAL LEASES

During the current and prior years, the District entered into capitalized leases for copier and network equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general fund and permanent improvement fund. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$296,041. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2016 totaled \$28,431 by the general fund and \$31,874 by the permanent improvement fund (a nonmajor governmental fund).

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2016.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 62,242
2018	59,646
2019	59,644
2020	<u>59,646</u>
Total minimum lease payments	241,178
Less: amount representing interest	<u>(12,100)</u>
Total	<u>\$ 229,078</u>

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2016, the following activity occurred in governmental and business-type activities long-term obligations.

<u>Governmental activities:</u>	<u>Balance Outstanding July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding June 30, 2016</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>					
Series 1999, Construction					
Current interest bonds	\$ 500,000	\$ -	\$ (45,000)	\$ 455,000	\$ 45,000
Series 2006, Refunding					
Current interest bonds	9,130,000	-	(9,130,000)	-	-
Series 2006, Refunding					
Capital appreciation bonds	74,996	-	-	74,996	74,996
Series 2006, Refunding					
Capital appreciation bonds					
Accreted interest	702,642	205,243	-	907,885	907,885
Series 2007, Refunding					
Current interest bonds	610,000	-	(610,000)	-	-
Series 2015, Refunding					
Current interest bonds	-	8,580,000	(115,000)	8,465,000	120,000
<u>Other long-term obligations:</u>					
Capital leases:					
Copier Leases	8,130	114,500	(28,431)	94,199	25,165
Network Equipment Lease	166,753	-	(31,874)	134,879	32,003
Energy Conservation note - FY12	1,037,000	-	(71,000)	966,000	74,000
Energy Conservation note - FY14	552,210	-	(38,924)	513,286	39,314
Tax Anticipation Note	485,000	-	(97,000)	388,000	97,000
Net pension liability	21,037,354	2,949,296	-	23,986,650	-
Compensated absences	1,108,047	68,261	(83,200)	1,093,108	61,890
Total	<u>\$ 35,412,132</u>	<u>\$ 11,917,300</u>	<u>\$ (10,250,429)</u>	<u>37,079,003</u>	<u>\$ 1,477,253</u>
Add: unamortized premiums				<u>436,956</u>	
Total on statement of net position				<u>\$ 37,515,959</u>	
<u>Business-Type Activities</u>					
Net pension liability	\$ 91,380	\$ 85,188	\$ (16,941)	\$ 159,627	\$ -
Compensated absences	<u>12,626</u>	<u>-</u>	<u>(12,626)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 104,006</u>	<u>\$ 85,188</u>	<u>\$ (29,567)</u>	<u>\$ 159,627</u>	<u>\$ -</u>

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Net Pension Liability: See Note 14 for details.

Compensated absences: Compensated absences for the governmental activities are paid primarily from the general fund and the food service fund (a nonmajor governmental fund). Compensated absences for the business-type activities are paid from the preschool/latchkey fund (a nonmajor enterprise fund).

See Note 10 for detail on capital lease obligations.

- B. Series 1999 Construction Bonds** - During fiscal year 1999, the District issued \$21,249,985 in general obligation bonds (Series 1999 Construction bonds) to provide funds for various District building projects. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund.

During fiscal year 2007 and 2006, \$4,020,000 and \$10,000,000, respectively, of the current interest bonds were refunded. The capital appreciation bonds were not refunded.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2023.

The following is a summary of the future debt service requirements to maturity for the Series 1999 Construction bonds:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2017	\$ 45,000	\$ 23,247	\$ 68,247
2018	50,000	20,694	70,694
2019	50,000	18,006	68,006
2020	55,000	15,184	70,184
2021	60,000	12,094	72,094
2022 - 2024	195,000	16,059	211,059
Total	\$ 455,000	\$ 105,284	\$ 560,284

- C. Series 2006 Refunding Bonds** - On September 6, 2005, the District issued general obligation bonds (Series 2006 Refunding bonds) to refund \$10,000,000 of the Series 1999 Construction current interest bonds. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund.

The refunding issue is comprised of both current interest bonds, par value \$9,925,000 and capital appreciation bonds, par value \$74,996. The interest rates on the current interest bonds range from 3.50% to 4.75%. The capital appreciation bonds mature December 1, 2016 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,105,000. Total accreted interest of \$907,885 has been included in the statement of net position.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2024.

During fiscal year 2016 the District paid \$435,000 in principal payments and refunded the remaining principal amount of \$8,695,000.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$533,803. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

- D. Series 2007 Refunding Bonds** - On December 13, 2006, the District issued general obligation bonds (Series 2007 Refunding Bonds) to refund \$4,020,000 of the Series 1999 Construction current interest bonds. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue was December 1, 2015.

The reacquisition price exceeded the net carrying amount of the old debt by \$148,813. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

- E. Series 2015 Refunding Bonds** - On September 3, 2015, the District issued \$8,580,000 in general obligation bonds (Series 2015 Refunding Bonds) to refund \$8,695,000 of the Series 2006 Refunding current interest bonds. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue was December 1, 2023.

The reacquisition price exceeded the net carrying amount of the old debt by \$146,027. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the debt service payments over the next 8 years by \$887,909 and resulted in a new present value economic gain of \$774,113.

The following is a summary of the future debt service requirements to maturity for the Series 2015 and Series 2006 Refunding bonds:

Fiscal Year Ended	Series 2015 Current Interest Bonds			Series 2006 Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 120,000	\$ 226,900	\$ 346,900	\$ 74,996	\$ 1,030,004	\$ 1,105,000
2018	1,220,000	213,500	1,433,500	-	-	-
2019	1,245,000	188,850	1,433,850	-	-	-
2020	1,270,000	157,350	1,427,350	-	-	-
2021	1,310,000	118,650	1,428,650	-	-	-
2022 - 2024	<u>3,300,000</u>	<u>125,100</u>	<u>3,425,100</u>	-	-	-
Total	<u>\$ 8,465,000</u>	<u>\$ 1,030,350</u>	<u>\$ 9,495,350</u>	<u>\$ 74,996</u>	<u>\$ 1,030,004</u>	<u>\$ 1,105,000</u>

- F.** On December 15, 2011, the District issued \$1,235,600 in energy conservation notes to upgrade the District facilities to reduce energy consumption. Principal and interest payments are made from the General fund.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a description of the energy conservation notes payable at June 30, 2016:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>
Energy conservation notes	3.55%	12/15/11	12/01/26	\$ 1,037,000	\$ -	\$ (71,000)	\$ 966,000

The following is a summary of the future annual debt service requirements to maturity for the energy conservation notes:

<u>Fiscal Year Ended</u>	<u>Energy Conservation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 74,000	\$ 32,980	\$ 106,980
2018	77,000	30,299	107,299
2019	80,000	27,521	107,521
2020	82,000	24,637	106,637
2021	85,000	21,673	106,673
2022 - 2026	468,000	60,457	528,457
2027	100,000	1,775	101,775
Total	<u>\$ 966,000</u>	<u>\$ 199,342</u>	<u>\$ 1,165,342</u>

- G.** On April 10, 2014, the District entered into a House Bill 264 energy conservation note. As of June 30, 2016, the District had received \$590,747 with a final maturity of December 1, 2028. Payments of principal and interest relating to these bonds are recorded as expenditures in the General fund.

The following is a description of the energy conservation notes payable at June 30, 2016:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>
Energy conservation notes	1.00%	4/10/14	12/1/28	\$ 552,210	\$ -	\$ (38,924)	\$ 513,286

The following is a summary of the future annual debt service requirements to maturity for the energy conservation notes:

<u>Fiscal Year Ended</u>	<u>Energy Conservation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 39,314	\$ 5,110	\$ 44,424
2018	39,708	4,716	44,424
2019	40,106	4,317	44,423
2020	40,508	3,915	44,423
2021	40,914	3,509	44,423
2022 - 2026	210,807	11,311	222,118
2027 - 2028	101,929	1,647	103,576
Total	<u>\$ 513,286</u>	<u>\$ 34,525</u>	<u>\$ 547,811</u>

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

H. On June 1, 2015, the District issued \$485,000 in tax anticipation notes in order to provided funds for school improvements. The tax anticipation note bear an interest rate of 2.50%. The notes mature on June 1, 2020. Payments are due semi-annually on December 1 and June 1 from the permanent improvement fund (a nonmajor governmental fund).

The following is a summary of the future debt service requirements to maturity for the tax anticipation notes:

Fiscal Year Ended	Tax Anticipation Notes		
	Principal	Interest	Total
2017	\$ 97,000	\$ 9,095	\$ 106,095
2018	97,000	6,670	103,670
2019	97,000	4,246	101,246
2020	<u>97,000</u>	<u>1,824</u>	<u>98,824</u>
Total	<u>\$ 388,000</u>	<u>\$ 21,835</u>	<u>\$ 409,835</u>

I. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$19,181,286 (including available funds of \$2,650,116) and an unvoted debt margin of \$283,624.

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining the vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 5 to 25 days of vacation per year, depending upon the length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Administrators who are contracted to work 260 days in a year are given 20 days of vacation per year by contract. The vacation does not accrue. It is totally awarded at the beginning of the contract. Any unused vacation days at the end of the contract are forfeited. The only exception is the Central Office Administrators who are paid for up to 10 days of unused vacation at the end of their contract. The Superintendent is also allowed to carry over up to ten unused days of vacation from year to year. The teachers do not earn vacation.

Administrators, teachers and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to 450 days. Upon retirement, payment is made based upon 22.22% of the accrued sick leave days.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 13 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The 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 2016, the District contracted with The Ohio School Plan for property insurance coverage in the blanket amount of \$77,215,383 with agreed amount, 100% coinsurance, replacement cost endorsement and a \$2,500 deductible. Boiler and machinery coverage is also provided with blanket coverage in the amount of \$77,215,383 with a \$2,500 deductible.

Vehicles are covered by The Ohio School Plan and hold a \$250 deductible for comprehensive and \$500 collision. Automobile liability has a \$6,000,000 limit.

The Ohio School Plan also provides general liability coverage with a \$6,000,000 each occurrence limit and \$8,000,000 aggregate with no deductible.

The Ohio School Plan provides school leaders errors and omissions liability coverage with a \$6,000,000 injury limit and a \$2,500 deductible.

The Ohio School Plan provides employee benefits liability coverage on a claims made policy with a \$6,000,000 claim limit and \$8,000,000 aggregate limit with a \$2,500 deductible.

The Ohio School Plan also provides sexual misconduct and molestation coverage on a occurrence form with \$6,000,000 limit and no deductible and provides employers' liability coverage in the amount of \$6,000,000 limit with no deductible.

The Ohio School Plan provides violence and cyber policies with a \$1,000,000 limit with no deductible for the violence policy and \$100,000 deductible for the cyber policy.

Ironshore Specialty Insurance Company provides pollution policy with a \$1,000,000 limit and a \$25,000 deductible.

The District does not have any underground storage tanks, therefore, underground storage tanks leak insurance is not required.

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from fiscal year 2015.

B. Employee Dishonesty Bonds

The District carries employee dishonesty bonds for the Treasurer, Superintendent and Board President in the amounts of \$40,000, \$40,000 and \$20,000, respectively. Also, an employee blanket dishonesty bond in the total amount of \$100,000 is provided to cover all other employees of the District.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 13 - RISK MANAGEMENT - (Continued)

C. Worker's Compensation Group Retrospective Rating Plan

For calendar year 2016, the District participated in the Worker's Compensation Group Retrospective Rating Plan sponsored by the Lima/Allen County Chamber of Commerce, a voluntary performance-based incentive program. The intent of the program is to reward participants that are able to keep their claims cost low. Districts continue to pay their individual premium directly to the Ohio Bureau of Workers' Compensation (BWC). Districts will then waive future premium adjustments (refunds or assessments) at the end of each of the three evaluation periods. For the 2016 program, the evaluation periods will be January 2017 and January 2018. Refunds or assessments will be calculated by the Ohio BWC, based on the pro-rata share of the districts individual premium compared to the overall program premium.

Participation in the Group Retrospective Rating Plan is limited to school districts that can meet the programs selection criteria. The firm of Sheakley provides administrative, cost control and actuarial services to the program.

D. Employee Group Life, Medical, Dental, and Vision Insurance

The District provides life insurance and accidental death and dismemberment insurance to all regular contracted employees through AUL Life Insurance Company in the amount of \$50,000. Administrators and central office personnel coverage is in the amount of \$125,000.

The District has elected to provide three options to the employees for health insurance coverage on a self-insured basis. Medical Mutual of Ohio located in Cleveland, Ohio administers all three plans through the Ohio School Benefits Cooperative.

The first option is a Preferred Provider Plan with a \$750 single and \$1,500 family deductible. Included in the plan is a prescription drug card with a \$15 per prescription copay for generic drugs, a \$30 per prescription copay for formulary drugs, and a \$50 per prescription copay for brand drugs. The total monthly premium for the PPO plan is \$686.43 for single coverage and \$1,884.42 for family coverage. The District's portion of the monthly premium is \$590.54 for single coverage and \$1,587.13 for family coverage which is paid out of the same fund that pays the salary for the employees. Through negotiations, the District's amounts are capped at 88.60% of premium increases up to the current trend increase. Any increase above trend is the employees' responsibility. The employee monthly portion of the premium is \$95.89 for single coverage and \$297.29 for family coverage which is withheld from their biweekly payroll.

The second option is a Health Savings Account Plan with a \$3,000 single and \$6,000 family deductible. The total monthly premium for the PPO plan is \$578.79 for single coverage and \$1,598.40 for family coverage. The District contributes annually to the employee's HAS account in the amount of \$552 for single coverage and \$1,500 for family coverage. The District portion of the monthly premium is \$512.68 for single coverage and \$1,410.54 for family coverage which is paid out of the same fund that pays the salary for the employee. Through negotiations, the District's amounts are capped at 88.6% of premium increases up to the current trend increase. Any increase above trend is the employees' responsibility. The employee monthly portion of the premium is \$66.11 for single coverage and \$187.86 for family coverage which is withheld from their biweekly payroll.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - RISK MANAGEMENT - (Continued)

The third option is a Minimum Value Plan with a \$4,000 single and \$8,000 family deductible. Included in the plan is a prescription drug card with a \$10 copay for generic drugs, a \$50 copay for formulary drugs, and a \$100 copay for brand drugs. The total monthly premium for the MVP plan is \$508.96 for single coverage and \$1,373.04 for family coverage. The District portion of the monthly premium is \$407.17 for single coverage and \$0.00 for family coverage which is paid out of the same fund that pays the salary for the employee. Through negotiations, the District's amounts are capped at 80% of premium increases up to the current trend increase. Any increase above the trend is the employees' responsibility. The employee monthly portion of the premium is \$101.79 for single coverage and \$1,373.04 for family coverage which is withheld from their biweekly payroll.

The District provides dental coverage for its employees on a self-insured basis through Medical Mutual of Ohio. The total monthly premium is \$31.19 for single and \$84.16 for family coverage. The District's portion of the monthly premium is \$17.76 for single and \$53.23 for family coverage. These amounts are also capped at 65% of premium increases up to the current trend increase with any increase above the trend being the employee's responsibility. The employee portion of the monthly premium is \$13.43 for single and \$30.93 for family coverage which is withheld from their biweekly payroll.

The District also provides vision coverage for its employees on a self-insured basis through Medical Mutual of Ohio. The total monthly premium is \$4.93 for single coverage and \$13.33 for family coverage. The District's portion of the monthly premium is \$0.24 for single coverage and \$1.92 for family coverage. These amounts are capped at 48% of premium increases. The employee portion of the monthly premium is \$4.69 for single coverage and \$11.41 for family coverage which is withheld from their biweekly payroll.

As of June 1, 2014, the District became self-insured through Medical Mutual of Ohio. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. For July 2016, a total expense of \$388,870 was incurred in administrative costs. The liability for unpaid claims of \$176,254 reported at June 30, 2016 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling claims.

Changes in the fund's claims liability amount was:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2016	\$ 121,596	\$ 1,638,453	\$ (1,583,795)	\$ 176,254
2015	96,000	2,124,110	(2,098,514)	121,596

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension obligation payable* on both the accrual and modified accrual bases of accounting.

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

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan. Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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(Continued)**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$330,295 for fiscal year 2016. Of this amount, \$27,886 is reported as pension obligation payable.

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,049,526 for fiscal year 2016. Of this amount, \$180,101 is reported as pension obligation payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, 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:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$4,318,157	\$19,828,120	\$24,146,277
Proportion of the Net Pension Liability	0.07567620%	0.07174464%	
Pension Expense	\$342,528	\$886,180	\$1,228,708

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$68,455	\$904,124	\$972,579
Changes in proportionate share	137,473	-	137,473
District contributions subsequent to the measurement date	<u>330,295</u>	<u>1,049,526</u>	<u>1,379,821</u>
Total Deferred Outflows of Resources	<u>\$536,223</u>	<u>\$1,953,650</u>	<u>\$2,489,873</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$120,994	\$1,430,098	\$1,551,092
Changes in proportionate share	<u>-</u>	<u>18,504</u>	<u>18,504</u>
Total Deferred Inflows of Resources	<u>\$120,994</u>	<u>\$1,448,602</u>	<u>\$1,569,596</u>

\$1,379,821 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	(\$1,145)	(\$327,721)	(\$328,866)
2018	(1,145)	(327,721)	(328,866)
2019	(1,144)	(327,719)	(328,863)
2020	<u>88,368</u>	<u>438,683</u>	<u>527,051</u>
Total	<u>\$84,934</u>	<u>(\$544,478)</u>	<u>(\$459,544)</u>

Actuarial Assumptions - SERS

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (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 pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Sensitivity of the 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 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$5,987,733	\$4,318,157	\$2,912,237

Actuarial Assumptions - STRS

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

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the 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 7.75 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$27,542,754	\$19,828,120	\$13,304,246

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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 2016, the School District's surcharge obligation was \$34,875.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$34,875, \$52,326, and \$34,496, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. 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 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. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$76,133, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 797,475
Net adjustment for revenue accruals	(478,650)
Net adjustment for expenditure accruals	(52,930)
Net adjustment for other sources/uses	(128,740)
Funds budgeted elsewhere **	(2,612)
Adjustment for encumbrances	970
GAAP basis	\$ 135,513

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

NOTE 17 - CONTINGENCIES

A. Grants

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

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE 17 - CONTINGENCIES - (Continued)

B. Litigation

The District is involved in no material litigation as either a plaintiff or defendant.

C. School Foundation

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

NOTE 18 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into the capital improvement reserve. This reserve is calculated and presented on a cash basis. During the fiscal year ended June 30, 2016, the reserve activity was as follows:

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2015	\$ -
Current year set-aside requirement	337,080
Current year qualifying expenditures	(475,405)
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (138,325)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside reserve balance June 30, 2016	<u>\$ -</u>

Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.07209200%	0.07209200%
District's proportionate share of the net pension liability	\$ 3,648,535	\$ 4,287,080
District's covered-employee payroll	\$ 2,116,003	\$ 1,709,191
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.43%	250.83%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

* The amounts present each fiscal were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2013 was unavailable.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.07186559%	0.07186559%
District's proportionate share of the net pension liability	\$ 17,480,199	\$ 20,822,298
District's covered-employee payroll	\$ 7,907,500	\$ 7,481,785
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	221.06%	278.31%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

* The amounts present each fiscal were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2013 was unavailable.

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**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 318,955	\$ 293,278	\$ 236,552	\$ 222,787	\$ 219,679
Contributions in relation to the contractually required contribution	<u>(318,955)</u>	<u>(293,278)</u>	<u>(236,552)</u>	<u>(222,787)</u>	<u>(219,679)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,419,992	\$ 2,116,003	\$ 1,709,191	\$ 1,656,409	\$ 1,747,645
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 253,122	\$ 165,592	\$ 160,776	\$ 178,141	\$ 165,552
<u>(253,122)</u>	<u>(165,592)</u>	<u>(160,776)</u>	<u>(178,141)</u>	<u>(165,552)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,869,439	\$ 1,682,846	\$ 1,637,230	\$ 1,667,987	\$ 1,564,764
13.54%	9.84%	9.82%	10.68%	10.58%

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 1,059,399	\$ 1,027,975	\$ 972,632	\$ 906,653	\$ 901,537
Contributions in relation to the contractually required contribution	<u>(1,059,399)</u>	<u>(1,027,975)</u>	<u>(972,632)</u>	<u>(906,653)</u>	<u>(901,537)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,567,136	\$ 7,907,500	\$ 7,481,785	\$ 6,974,254	\$ 6,934,900
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 888,461	\$ 890,050	\$ 873,447	\$ 834,987	\$ 791,036
<u>(888,461)</u>	<u>(890,050)</u>	<u>(873,447)</u>	<u>(834,987)</u>	<u>(791,036)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,834,315	\$ 6,846,538	\$ 6,718,823	\$ 6,422,977	\$ 6,084,892
13.00%	13.00%	13.00%	13.00%	13.00%

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Cash Assistance		
School Breakfast Program	10.553	\$ 85,299
National School Lunch Program	10.555	328,339
Total Cash Assistance		<u>413,638</u>
Non-Cash Assistance (Food Distribution)		
National School Lunch Program	10.555	48,537
Total Child Nutrition Program		<u>462,175</u>
Total U.S. Department of Agriculture		<u>462,175</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	206,219
Special Education - Grants to States	84.027	275,751
Improving Teacher Quality State Grants	84.367	28,172
Total U.S. Department of Education		<u>510,142</u>
Total Expenditures of Federal Awards		<u>\$ 972,317</u>

The accompanying notes are an integral part of this schedule.

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Ontario Local School District
Richland County
457 Shelby-Ontario Road
Mansfield, Ohio 44906

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ontario Local School District, Richland County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199

www.auditor.state.oh.us

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

November 28, 2016



Dave Yost • Auditor of State

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

Ontario Local School District
Richland County
457 Shelby-Ontario Road
Mansfield, Ohio 44906

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the 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 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 District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, Ontario Local School District, Richland 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, 2016.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
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www.auditor.state.oh.us

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on 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 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.



Dave Yost
Auditor of State
Columbus, Ohio

November 28, 2016

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<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)?	No
<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):	CFDA #84.010 – Title I Grants to Local Educational Agencies
<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?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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ONTARIO LOCAL SCHOOL DISTRICT

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 15, 2016**