



Dave Yost • Auditor of State



**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Orrville City School District  
Wayne County  
815 North Ella Street  
Orrville, Ohio 44667

To the Board of Education:

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

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

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Orrville City School District, Wayne County, Ohio, as of June 30, 2016, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Other Matters***

*Supplemental Information*

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 and 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, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

We applied no procedures to the Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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 29, 2016

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**Orrville City School District**  
**Wayne County, Ohio**  
**(Unaudited)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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

***Financial Highlights***

Key financial highlights for fiscal year 2016 are as follows:

- q Net position increased \$1,568,022 during fiscal year 2016.
- q Outstanding debt decreased from \$27,091,795 to \$25,919,869 through principal payments.

***Using this Annual Report***

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Orrville City School District as a whole, 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 School District. 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 School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2016 the general fund is the School District's most significant fund.

***Basis of Accounting***

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

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

**Orrville City School District**  
**Wayne County, Ohio**  
**(Unaudited)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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***Reporting the School 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 School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The statement of net position and the statement of activities answer this question.

These two statements report the School District's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

**Governmental Funds** - Most of the School 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 the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

***Reporting the School District's Fiduciary Responsibilities***

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs.

**Orrville City School District**  
**Wayne County, Ohio**  
**(Unaudited)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2016 compared to 2015.

**(Table 1)**  
**Net Position – Cash Basis**

	Governmental Activities	
	2016	2015
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 8,492,372	\$ 6,924,350
<b>Net Position</b>		
Restricted for:		
Capital Outlay	450,437	465,076
Debt Service	649,046	630,675
Other Purposes	1,109,484	1,129,500
Unrestricted	6,283,405	4,699,099
<i>Total Net Position</i>	<i>\$ 8,492,372</i>	<i>\$ 6,924,350</i>

Net position of the governmental activities increased \$1,568,022, which represents a 23 percent increase from fiscal year 2015. The increase is mostly the result of the completion of the building renovation project. Capital outlay disbursements decreased due to the project being completed which increased net position.

A portion of the School District's net position, \$2,208,967 or 26 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$6,283,405 may be used to meet the School District's ongoing obligations.

**Orrville City School District**  
**Wayne County, Ohio**  
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*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

Table 2 shows the changes in net position for fiscal year 2016 as compared to fiscal year 2015.

**(Table 2)**  
**Changes in Net Position - Cash Basis**

	Governmental Activities	
	2016	2015
<b>Receipts</b>		
<b>Program Receipts</b>		
Charges for Services and Sales	\$ 1,157,154	\$ 997,059
Operating Grants, Contributions and Interest	2,352,461	2,424,558
<b>Total Program Receipts</b>	<b>3,509,615</b>	<b>3,421,617</b>
<b>General Receipts</b>		
Property Taxes	9,972,684	9,854,924
Grants and Entitlements not Restricted to		
Specific Programs	7,971,274	8,274,884
Payments in Lieu of Taxes	9,028	19,609
Proceeds from Sale of Assets	37,000	1,220
Premium on Debt Issuance	0	1,865,863
Refunding Bonds Issued	0	12,940,000
Investment Earnings	4,656	516
Miscellaneous	116,145	27,463
<b>Total General Receipts</b>	<b>18,110,787</b>	<b>32,984,479</b>
<b>Total Receipts</b>	<b>21,620,402</b>	<b>36,406,096</b>
<b>Program Disbursements</b>		
Instruction:		
Regular	8,532,099	8,620,543
Special	2,240,814	2,259,448
Vocational	83,562	69,553
Student Intervention Services	16,469	18,865
Other	129,935	257,928
Support Services:		
Pupils	737,976	686,688
Instructional Staff	619,893	553,419
Board of Education	94,456	90,135
Administration	1,458,215	1,309,202
Fiscal	427,822	457,979
Business	57,892	56,223
Operation and Maintenance of Plant	1,547,469	1,533,811
Pupil Transportation	599,226	565,456
Operation of Non-Instructional Services:		
Food Service Operations	770,460	658,681
Extracurricular Activities	493,927	466,222
Capital Outlay	257,145	1,150,344
Debt Service:		
Payment to Refunded Bond Escrow Agent	0	14,742,621
Principal Retirement	1,317,748	989,447
Interest and Fiscal Charges	667,272	591,627
Issuance Costs	0	223,257
<b>Total Program Disbursements</b>	<b>20,052,380</b>	<b>35,301,449</b>
<b>Change in Net Position</b>	<b>1,568,022</b>	<b>1,104,647</b>
<b>Net Position Beginning of Year</b>	<b>6,924,350</b>	<b>5,819,703</b>
<b>Net Position End of Year</b>	<b>\$ 8,492,372</b>	<b>\$ 6,924,350</b>

**Orrville City School District**  
**Wayne County, Ohio**  
**(Unaudited)**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

Total receipts decreased \$14,785,694, primarily refunding bonds issued and premium on debt issuance, due to a debt refunding that occurred in the prior year.

Total disbursements decreased \$15,249,069 from fiscal year 2015. The largest contributor to this decrease was the debt refunding mentioned above. Capital outlay disbursements also decreased \$893,199 due to the completion of a building renovation project in fiscal year 2015.

**Governmental Activities**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

**(Table 3)**  
**Governmental Activities – Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2016	2015	2016	2015
<b>Program Disbursements</b>				
Instruction:				
Regular	\$ 8,532,099	\$ 8,620,543	\$ 7,588,260	\$ 7,711,312
Special	2,240,814	2,259,448	1,036,423	1,080,775
Vocational	83,562	69,553	70,993	58,279
Student Intervention Services	16,469	18,865	16,469	18,865
Other	129,935	257,928	129,935	257,928
Support Services:				
Pupils	737,976	686,688	635,631	526,154
Instructional Staff	619,893	553,419	616,567	529,884
Board of Education	94,456	90,135	94,456	90,135
Administration	1,458,215	1,309,202	1,318,188	1,159,956
Fiscal	427,822	457,979	397,407	457,979
Business	57,892	56,223	57,892	56,223
Operation and Maintenance of Plant	1,547,469	1,533,811	1,547,469	1,533,811
Pupil Transportation	599,226	565,456	559,757	527,941
Operation of Non-Instructional Services:				
Food Service Operations	770,460	658,681	(37,732)	(88,797)
Extracurricular Activities	493,927	466,222	268,885	262,094
Capital Outlay	257,145	1,150,344	257,145	1,150,341
Debt Service:				
Payment to Refunded Bond Escrow Agent	0	14,742,621	0	14,742,621
Principal Retirement	1,317,748	989,447	1,317,748	989,447
Interest and Fiscal Charges	667,272	591,627	667,272	591,627
Issuance Costs	0	223,257	0	223,257
<b>Total</b>	<b>\$ 20,052,380</b>	<b>\$ 35,301,449</b>	<b>\$ 16,542,765</b>	<b>\$ 31,879,832</b>

The dependence upon tax receipts and general receipt entitlements from the state for governmental activities is apparent. Program receipts only account for 18 percent of all governmental disbursements. The community is the largest area of support for the School District students.

**Orrville City School District**  
**Wayne County, Ohio**  
**(Unaudited)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

***The School District's Funds***

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$8,492,372, which is \$1,568,022 higher than the prior year balance of \$6,924,350.

The general fund's fund balance increased \$1,672,375 in fiscal year 2016, which is consistent with the prior year increase in fund balance. Overall receipts continue to outpace disbursements. Total receipts and total disbursements changed by less than one percent from fiscal year 2015 to 2016.

***General Fund Budgeting Highlights***

The School 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 School District amended its general fund budget. For the general fund, final budget basis receipts and other financing sources were \$16,823,888, representing a decrease of \$1,410,327 from the original estimate of \$18,234,215. There was an error on the original Amended Certificate that was detected and corrected in the final budget. Actual receipts and other financing sources of \$17,027,929 were \$204,041 higher than the final budget.

For fiscal year 2016, the general fund final budget basis disbursements and other financing uses were \$16,313,205, which is over the original budgeted disbursements and other financing uses of \$16,141,202. Actual disbursements and other financing uses of \$15,780,065 were \$533,140 lower than the final budget due to conservative budgeting and keeping disbursements low.

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2016 and 2015.

**(Table 4)**  
**Outstanding Debt, at June 30**

	Governmental Activities	
	2016	2015
2008 School Facilities Construction and Improvement Notes	\$ 827,000	\$ 851,000
2007 School Facilities Construction and Improvement Refunding Bonds		
Serial, Term and Capital Appreciation Bonds	1,690,391	2,197,525
2014 Refunding Bonds-Serial, Term and Capital Appreciation Bonds	8,253,331	8,321,528
2015 Refunding Bonds-Serial and Capital Appreciation Bonds	4,582,818	4,661,665
Lease - Purchase Agreements	<u>10,566,329</u>	<u>11,060,077</u>
<i>Total</i>	<u>\$ 25,919,869</u>	<u>\$ 27,091,795</u>

For further information regarding the School District's debt, refer to Notes 8 and 9 of the basic financial statements.

**Orrville City School District**  
**Wayne County, Ohio**  
**(Unaudited)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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***Current Issues***

The Orrville City School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The most recent operating levy passed by the residents of the district was a five year emergency levy approved in May 2010. This emergency levy was renewed by the voters in May 2015 for a ten year period. Prior to that the last new levy was an emergency levy passed in February 2003. The February 2003 levy was renewed by the voters for five more years in November 2008 and renewed again in August 2013 for a ten-year period.

The School District houses students in three (3) new buildings thanks to the citizens of Orrville and the State of Ohio. The residents approved the renewal of a permanent improvement levy for a continuing period of time at the May 2005 election to fund the construction of a middle school. A \$16 million bond issue was approved by voters at the May 2007 election. During fiscal year 2015, the bonds were refinanced saving the School District approximately \$996,238. The new elementary school opened in May 2010 and a new high school opened in May 2013 using the State share of OFCC construction funding.

The School District has also been affected by changes in the personal property tax structure (utility deregulation) commercial business/property uncertainties and the elimination of tangible personal property taxes. Management has diligently planned expenses so that the last levy has stretched for more than the five years it was planned. Management will continue to monitor staffing levels in order to maintain fiscal stability.

The Orrville City School District has experienced some growth in State revenue in the current State budget that end June of 2016. The formula still included a guarantee so districts would not lose money and a 6.5 percent cap to limit the increase. The School District's growth was limited by the cap. This growth combined with the reductions made in December 2012, have worked to improve the financial outlook of the School District. The new State budget for fiscal year 2016 and fiscal year 2017 will be important to continued fiscal stability.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mark Dickerhoof, Treasurer of Orrville City Schools, 815 North Ella Street, Orrville, Ohio 44667, e-mail [roc\\_mardick@tccsa.net](mailto:roc_mardick@tccsa.net).

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**Orrville City School District**  
**Wayne County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2016*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 8,492,372</u>
<b>Net Position</b>	
Restricted for:	
Capital Outlay	\$ 450,437
Debt Service	649,046
Other Purposes	1,109,484
Unrestricted	<u>6,283,405</u>
<i>Total Net Position</i>	<u>\$ 8,492,372</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
**Wayne County, Ohio**  
*Statement of Activities - Cash Basis*  
*For the Fiscal Year Ended June 30, 2016*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 8,532,099	\$ 577,153	\$ 366,686	\$ (7,588,260)
Special	2,240,814	0	1,204,391	(1,036,423)
Vocational	83,562	0	12,569	(70,993)
Student Intervention Services	16,469	0	0	(16,469)
Other	129,935	0	0	(129,935)
Support Services:				
Pupils	737,976	0	102,345	(635,631)
Instructional Staff	619,893	0	3,326	(616,567)
Board of Education	94,456	0	0	(94,456)
Administration	1,458,215	95,118	44,909	(1,318,188)
Fiscal	427,822	0	30,415	(397,407)
Business	57,892	0	0	(57,892)
Operation and Maintenance of Plant	1,547,469	0	0	(1,547,469)
Pupil Transportation	599,226	0	39,469	(559,757)
Operation of Non-Instructional Services:				
Food Service Operations	770,460	265,841	542,351	37,732
Extracurricular Activities	493,927	219,042	6,000	(268,885)
Capital Outlay	257,145	0	0	(257,145)
Debt Service:				
Principal Retirement	1,317,748	0	0	(1,317,748)
Interest and Fiscal Charges	667,272	0	0	(667,272)
<i>Totals</i>	<u>\$ 20,052,380</u>	<u>\$ 1,157,154</u>	<u>\$ 2,352,461</u>	<u>(16,542,765)</u>

**General Receipts**

Property Taxes Levied for:	
General Purposes	7,979,176
Debt Service	1,226,918
Capital Outlay	652,865
Building Maintenance	113,725
Grants and Entitlements not Restricted to Specific Programs	7,971,274
Payments in Lieu of Taxes	9,028
Proceeds from Sale of Assets	37,000
Investment Earnings	4,656
Miscellaneous	116,145
<i>Total General Receipts</i>	<u>18,110,787</u>
<i>Change in Net Position</i>	1,568,022
<i>Net Position Beginning of Year</i>	<u>6,924,350</u>
<i>Net Position End of Year</i>	<u>\$ 8,492,372</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
**Wayne County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2016*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 6,420,839	\$ 2,071,533	\$ 8,492,372
<b>Fund Balances</b>			
Nonspendable	\$ 35,095	\$ 0	\$ 35,095
Restricted	0	2,173,872	2,173,872
Assigned	485,178	0	485,178
Unassigned	5,900,566	(102,339)	5,798,227
<i>Total Fund Balances</i>	<u>\$ 6,420,839</u>	<u>\$ 2,071,533</u>	<u>\$ 8,492,372</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
**Wayne County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$ 7,979,176	\$ 1,993,508	\$ 9,972,684
Intergovernmental	8,328,912	1,977,750	10,306,662
Investment Income	4,656	0	4,656
Tuition and Fees	568,163	0	568,163
Extracurricular Activities	117,732	193,680	311,412
Gifts and Donations	12,573	6,000	18,573
Charges for Services	6,140	265,839	271,979
Payments in Lieu of Taxes	9,028	0	9,028
Rent	1,350	2,750	4,100
Miscellaneous	115,145	1,000	116,145
<i>Total Receipts</i>	<u>17,142,875</u>	<u>4,440,527</u>	<u>21,583,402</u>
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	8,193,492	338,607	8,532,099
Special	1,569,786	671,028	2,240,814
Vocational	83,562	0	83,562
Student Intervention Services	16,469	0	16,469
Other	129,935	0	129,935
Support Services:			
Pupils	585,657	152,319	737,976
Instructional Staff	584,451	35,442	619,893
Board of Education	94,456	0	94,456
Administration	1,405,620	52,595	1,458,215
Fiscal	391,382	36,440	427,822
Business	57,892	0	57,892
Operation and Maintenance of Plant	1,386,351	161,118	1,547,469
Pupil Transportation	570,027	29,199	599,226
Extracurricular Activities	296,509	197,418	493,927
Operation of Non-Instructional Services:			
Food Service Operations	0	770,460	770,460
Capital Outlay	17,821	239,324	257,145
Debt Service:			
Principal Retirement	81,748	1,236,000	1,317,748
Interest and Fiscal Charges	5,342	661,930	667,272
<i>Total Disbursements</i>	<u>15,470,500</u>	<u>4,581,880</u>	<u>20,052,380</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,672,375</u>	<u>(141,353)</u>	<u>1,531,022</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Assets	0	37,000	37,000
Transfers In	0	58,217	58,217
Transfers Out	0	(58,217)	(58,217)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>37,000</u>	<u>37,000</u>
<i>Net Change in Fund Balances</i>	1,672,375	(104,353)	1,568,022
<i>Fund Balances Beginning of Year</i>	<u>4,748,464</u>	<u>2,175,886</u>	<u>6,924,350</u>
<i>Fund Balances End of Year</i>	<u>\$ 6,420,839</u>	<u>\$ 2,071,533</u>	<u>\$ 8,492,372</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
**Wayne County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources	\$ 18,234,215	\$ 16,823,888	\$ 17,027,929	\$ 204,041
Disbursements and Other Financing Uses	16,141,202	16,313,205	15,780,065	533,140
Net Change in Fund Balance	2,093,013	510,683	1,247,864	737,181
<i>Fund Balance Beginning of Year</i>	4,168,649	4,168,649	4,168,649	0
Prior Year Encumbrances Appropriated	482,955	482,955	482,955	0
<i>Fund Balance End of Year</i>	<u>\$ 6,744,617</u>	<u>\$ 5,162,287</u>	<u>\$ 5,899,468</u>	<u>\$ 737,181</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
**Wayne County, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2016*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 48,558	\$ 33,837
<i>Total Assets</i>	\$ 48,558	\$ 33,837
 <b>Net Position</b>		
Held in Trust for Scholarships	\$ 48,558	\$ 0
Held for Student Activities	0	33,837
<i>Total Net Position</i>	\$ 48,558	\$ 33,837

See accompanying notes to the basic financial statements.

**Orrville City School District**  
**Wayne County, Ohio**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Scholarship
<b>Additions</b>	
Interest	\$ 53
<b>Deductions</b>	
Scholarships	2,500
<i>Change in Net Position</i>	(2,447)
<i>Net Position Beginning of Year</i>	51,005
<i>Net Position End of Year</i>	\$ 48,558

See accompanying notes to the basic financial statements.

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**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

The Orrville City School District (the “School District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District.

The reporting entity is required to be composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations’ governing board and 1) the School District is able to significantly influence the programs or services performed or provided by the organization; or 2) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is involved with Tri-County Computer Service Association (TCCSA) and the Wayne County Career Center, which are defined as jointly governed organizations; the Orrville Public Library, which is defined as a related organization; and the Stark County Schools Council of Governments Health Benefit Plan, which is a public entity risk pool. Additional information concerning these organizations is presented in Notes 11, 12 and 13.

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

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

**A. Basis of Accounting**

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District’s financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The School District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. The School District also reports investments as assets, valued at cost basis.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

**B. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

**2. Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

1. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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type, and

2. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**C. Fund Accounting**

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

**1. Governmental Funds:**

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

*General Fund* – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed internally or externally.

**2. Fiduciary Funds**

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

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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Budgetary allocations at the object and function level within all funds are made by the Treasurer.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as restricted or assigned fund balance (cash basis).

**Tax Budget**

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 disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

**Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected receipt of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipt are identified by the School District's Treasurer.

**Appropriations**

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the fund level of disbursements, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary disbursements of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as a restricted or assigned fund balance for subsequent-year disbursements for governmental funds.

**Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” on the financial statements.

During fiscal year 2016, investments were limited to STAR Ohio. 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price for which the investment could be sold on June 30, 2016.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2016 were \$4,656, which includes \$1,360 interest assigned from other School District funds.

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

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets. Depreciation is not recorded on these capital assets.

**G. Compensated Absences**

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

**H. Long-term Debt**

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported as other financing sources when cash is received and principal and interest payments are reported as disbursements when paid.

**I. Intergovernmental Receipts**

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant is received.

**J. Inventory and Prepaid Items**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**L. Equity Classifications**

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net position and is displayed in separate components:

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the School District. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2016, there was no net position restricted by enabling legislation.
2. Unrestricted net position – All other net position that do not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

FUND FINANCIAL STATEMENTS

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

- a. Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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- d. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**M. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources to be expended are recorded as transfers.
2. Reimbursements from one fund to another are treated as disbursements/expenses in the reimbursing fund and a reduction in disbursements/expense in the reimbursed fund.

**N. Receipts and Disbursements**

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements



**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

**O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual 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. Neither type of transaction occurred during fiscal year 2016.

**P. Pensions**

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

**Q. Implementation of New Accounting Policies**

For the fiscal year ended June 30, 2016, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (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 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School District.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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GASB Statement No. 76 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 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it 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 3 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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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 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
  4. Bonds and other obligations of the State of Ohio or Ohio local governments;
  5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 and STAR Plus);
  7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 40 percent of the interim moneys available for investment at any one time;
  8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of 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.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured by Federal Deposit Insurance Corporation or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all uninsured public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year end, the carrying amount of the School District's deposits was \$7,622,132 and the bank balance was \$7,822,312. Of the School District's bank balance, \$576,102 was covered by federal depository insurance, leaving \$7,246,210 exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent not in the School District's name.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

As of June 30, 2016, the School District has \$100 in undeposited cash on hand. This amount is included in equity in pooled cash and cash equivalents.

**Investments**

Investments are reported at cost. As of June 30, 2016, the School District had the following investment:

Investment Type	Carrying Value	Maturities Less than 1 Year	Percentage
STAR Ohio	\$ 952,535	\$ 952,535	100%

*Interest Rate Risk*

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School 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*

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2016 is 49 days and carries a rating of AAAM by Standard and Poor's.

*Concentration of Credit Risk*

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 40 percent of the interim monies available for investment at any one time. One hundred percent of the School District's investments are in STAR Ohio.

**NOTE 4 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year

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2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Wayne County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 236,424,090	99%	\$ 235,668,660	99%
Public Utility Personal Property	2,072,730	1%	2,492,410	1%
Total	<u>\$ 238,496,820</u>	<u>100%</u>	<u>\$ 238,161,070</u>	<u>100%</u>
Full Tax Rate per \$1,000 of assessed valuation	<u>\$ 63.40</u>		<u>\$ 63.40</u>	

**NOTE 5 - RISK MANAGEMENT**

**A. General Insurance**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy. The deductible is \$1,000 per incident on property and \$1,000 per incident on equipment. All vehicles are also insured with a \$1,000 deductible. All board members, administrators, and employees are covered under a school district liability policy. The limits of this coverage are \$5,000,000 per occurrence and \$7,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

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**B. Fidelity Bond**

The Treasurer is covered under a surety bond in the amount of \$30,000. The Board President and Superintendent each have \$20,000 position bonds.

**C. Workers' Compensation**

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The School District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

**D. Employee Health Insurance**

Effective December 1, 2007, the School District has contracted with Stark County Schools Council of Governments (the "Council") to provide employee medical/surgical benefits. The Council is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

The intent of the insurance pool is to achieve a reduced, stable and competitive rate for the School District by grouping with other members of the Health Benefits Program. The experience of all participating districts is calculated as one, and a common premium rate is applied to all member districts.

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board. For fiscal year 2016, the School District's monthly premiums were \$1,610.86 for family medical coverage and \$663.18 for single medical coverage. Dental insurance is also provided by the School District to qualified employees through the Stark County Schools Council of Governments. For fiscal year 2016, the School District's cost was \$207.72 for family dental coverage and \$84.26 for single dental coverage per employee per month.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The Stark County Schools Council of Government Board of Directors has the right to return monies to an existing school district subsequent to the settlement of all expenses and claims.

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**NOTE 6 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

The net pension liability represents the 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.

***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](http://www.ohsers.org) under Employers/Audit Resources.

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Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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 allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School District’s contractually required contribution to SERS was \$381,518 for fiscal year 2016.

***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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 was 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 year of qualifying



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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 year 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.

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 \$1,038,768 for fiscal year 2016.

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***Net Pension Liability***

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 projected contributions of all participating entities. Following is information related to the proportionate share:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 18,605,793	\$ 3,348,925	\$ 21,954,718
Proportion of the Net Pension Liability	0.06732186%	0.05869030%	

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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	15.00	7.50
	100.00 %	

**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%)
School District's proportionate share of the net pension liability	\$ 4,643,756	\$ 3,348,925	\$ 2,258,571

**Actuarial Assumptions - STRS**

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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 increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00 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.

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	1.00	3.00
	<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

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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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 25,844,850	\$ 18,605,793	\$ 12,484,091

**NOTE 7 - POST EMPLOYMENT 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](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care fund. 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.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$36,900, \$50,914 and \$39,060, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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**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](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. 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 year 2016, 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 \$66,479, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 8 - DEBT OBLIGATIONS**

The following is a description of the School District’s outstanding debt obligations as of June 30, 2016:

	Interest Rate	Principal Outstanding 06/30/15	Additions	Deductions	Principal Outstanding 06/30/16	Due Within One Year
<b>2008 School Facilities Construction and Improvement Notes</b>	4.519%	\$ 851,000	\$ 0	\$ 24,000	\$ 827,000	\$ 25,000
<b>2007 School Facilities Construction and Improvement Refunding Bonds</b>						
Serial and Term Bonds	4.25-5.25%	1,800,000	0	560,000	1,240,000	600,000
Capital Appreciation Bonds	2.0 - 26.4%	160,000	0	0	160,000	0
Accretion		237,525	52,866	0	290,391	0
<b>2014 Refunding CASE (QB)</b>						
Current Interest Serial Bonds	1.0 - 4.0%	7,625,000	0	105,000	7,520,000	105,000
Current Interest Term Bonds	3.00%	495,000	0	0	495,000	0
Capital Appreciation Bonds	18.12-17.16%	175,000	0	0	175,000	0
Accretion		26,528	36,803	0	63,331	0
<b>2015 Refunding CASE (QB)</b>						
Current Interest Serial Bonds	1.0 - 3.25%	4,430,000	0	135,000	4,295,000	100,000
Capital Appreciation Bonds	23.31%	215,000	0	0	215,000	0
Accretion		16,665	56,153	0	72,818	0
2006 Lease-Purchase Agreement		10,852,000	0	412,000	10,440,000	428,000
2014 Lease-Purchase Agreement		83,965	0	41,542	42,423	42,423
2015 Lease-Purchase Agreement		124,112	0	40,206	83,906	41,360
<b>Total General Debt Obligations</b>		<u>\$ 27,091,795</u>	<u>\$ 145,822</u>	<u>\$ 1,317,748</u>	<u>\$ 25,919,869</u>	<u>\$ 1,341,783</u>

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***2007 School Facilities Construction and Improvement and Refunding General Obligation Bonds***

On September 18, 2007, the School District issued \$17,670,000 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$11,275,000, \$6,235,000 and \$160,000, respectively. The bonds refunded \$2,670,000 of outstanding 1997 Library Bonds and \$15,000,000 of outstanding 2007 School Facilities Construction and Improvement Notes. The bonds were issued for a twenty-nine year period with final maturities at December 31, 2035.

At the date of refunding, \$18,435,688 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$2,670,000 of the 1997 Library Bonds and \$15,000,000 of the notes were retired. The bonds were issued with a premium of \$765,688.

During fiscal year 2015, \$12,940,000 of the serial and term bonds were refunded.

The capital appreciation bonds will mature December 1, 2018 and 2019. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is noted. The maturity amount of the bonds is \$690,000. The fiscal year 2016 accretion amount was \$52,866.

***2008 School Facilities Construction and Improvement Note***

On February 28, 2008, the School District entered into a note with the Columbus Regional Airport Authority for improvements and construction of school facilities, constructing additions to and renovating and improving school facilities under the Ohio School Facilities Commission Expedited Local Partnership Program. As part of the agreement, the Columbus Regional Airport deposited \$1,000,000 with a trustee. Amounts are paid to contractors by the trustee at the discretion of the School District as the project progresses. The note will be paid from tax levy proceeds.

***2014 Refunding General Obligation Bonds***

On September 10, 2014, the School District issued \$8,295,000 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$7,625,000, \$495,000 and \$175,000, respectively. The bonds refunded \$8,295,000 of outstanding 2007 School Facilities Construction and Improvement and Refunding General Obligation Bonds. The bonds were issued for a twenty year period with final maturities at December 31, 2035. As of June 30, 2016 \$8,295,000 of the refunded bonds are considered defeased.

At the date of refunding, \$9,649,581 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$8,295,000 of the notes was retired. The bonds were issued with a premium of \$1,189,581.

The bond issue consists of serial, term and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 1.00 to 4.00 percent. The term bonds that mature in fiscal year 2024 with an interest rate of 3.00 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2023 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2022	\$ 120,000

The remaining principal amount of term bonds in the amount of \$120,000 will be paid at stated maturity on December 1, 2023.

The term bonds that mature in fiscal year 2026 with an interest rate of 3.00 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2025 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule.

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2024	\$ 125,000

The remaining principal amount of term bonds in the amount of \$130,000 will be paid at stated maturity on December 1, 2025.

The term bonds maturing after December 1, 2023 are subject to optional redemption, in whole or in part, on any date in order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2022.

The capital appreciation bonds will mature December 1, 2026 and 2027. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is noted. The maturity amount of the bonds is \$1,480,000. The fiscal year 2016 accretion amount was \$36,803.

***2015 Refunding General Obligation Bonds***

On March 18, 2015, the School District issued \$4,645,000 in voted general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$4,430,000 and \$215,000, respectively. The bonds refunded \$4,645,000 of outstanding 2007 School Facilities Construction and Improvement and Refunding General Obligation Bonds. The bonds were issued for a ten year period with final maturities at December 31, 2025.

At the date of refunding, \$5,321,282 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$4,645,000 of the bonds were retired. The bonds were issued with a premium of \$676,282.

The bond issue consists of serial and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 1.00 to 3.25 percent. The capital appreciation bonds will mature December 1, 2020. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is noted. The maturity amount of the bonds is \$750,000. The fiscal year 2016 accretion amount was \$56,153.

The general obligation bonds and note will be paid from the bond retirement debt service fund.



**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

The leases will be paid from the general fund and the permanent improvement fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30,	Construction and Improvement Note	General Obligation Bonds	Capital Appreciation Bonds	Interest/ Accretion	Total
2017	\$ 25,000	\$ 805,000	\$ 0	\$ 501,673	\$ 1,331,673
2018	26,000	850,000	0	469,921	1,345,921
2019	28,000	650,000	100,000	551,383	1,329,383
2020	29,000	390,000	60,000	859,598	1,338,598
2021	30,000	115,000	215,000	963,115	1,323,115
2022-2026	176,000	3,885,000	0	1,796,494	5,857,494
2027-2031	226,000	2,325,000	175,000	2,637,170	5,363,170
2032-2036	287,000	4,530,000	0	503,584	5,320,584
Total	<u>\$ 827,000</u>	<u>\$ 13,550,000</u>	<u>\$ 550,000</u>	<u>\$ 8,282,938</u>	<u>\$ 23,209,938</u>

**NOTE 9 - LEASE-PURCHASE AGREEMENT**

In fiscal year 2006, the School District entered into a lease agreement with the Columbus Regional Airport Authority for the construction of a new middle school building. At the time the School District entered into this lease, the building had not yet been constructed. As part of the agreement, Columbus Regional Airport Authority, as lessor, deposited \$13,000,000 with a trustee for the construction of the building. Amounts are paid to contractors by the trustee at the discretion of the School District as the project progresses. All payments will be made to the U.S. Bank, third party administrator. Interest is calculated on a weekly basis using the BMA rate plus 73.1 bpts. At June 30, 2016 the interest rate was 1.7072 percent.

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

Year Ending June 30,	2017	\$ 540,432
	2018	551,544
	2019	563,470
	2020	574,478
	2021	588,749
	2022-2026	3,144,545
	2027-2031	3,536,609
	2032-2034	2,045,437
		<u>\$ 11,545,264</u>
	Less amount representing interest	<u>1,105,264</u>
	Present value of minimum lease payments	<u>\$ 10,440,000</u>

**Orrville City School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

In December of 2013, the School District entered into a lease-purchase agreement with De Lage Landen Public Finance for the purchase of two new buses. Payments of \$43,322, including interest of 2.12 percent, are made annually from the General Fund with final maturity in fiscal year 2017.

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

Year Ending June 30,	2017	\$	43,322
	Less amount representing interest		899
	Present value of minimum lease payments	<u>\$</u>	<u>42,423</u>

In April of 2015, the School District entered into a lease-purchase agreement with De Lage Landen Public Finance for the purchase of two new buses. Payments of \$43,768, including interest of 2.87 percent, are made annually from the General Fund with final maturity in fiscal year 2018.

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

Year Ending June 30,	2017	\$	43,768
	2018		<u>43,767</u>
		\$	87,535
	Less amount representing interest		3,629
	Present value of minimum lease payments	<u>\$</u>	<u>83,906</u>

**NOTE 10 - SET ASIDE REQUIREMENTS**

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. For the fiscal year ended June 30, 2016, the reserve activity was as follows:

	<u>Capital Acquisition</u>
Set-Aside Reserve Balance June 30, 2015	\$ 0
Current Year Set Aside Requirement	277,614
Current Year Offsets	<u>(882,235)</u>
Total	<u>\$ (604,621)</u>
Balance carried forward to FY 2017	<u>\$ 0</u>
Set-Aside Reserve Balance June 30, 2016	<u>\$ 0</u>

Although the School District had offsets during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 11 - RELATED ORGANIZATION**

The Orrville Public Library (the “Library”) is a related organization to the School District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2016.

**NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Tri-County Computer Service Association (TCCSA)**

The Midland Council of Governments dba/Tri-County Computer Services Association is organized under Chapter 167 of the Ohio Revised Code. The Tri-County Computer Services Association (TCCSA) is a jointly governed organization. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts in Ashland, Holmes, Medina and Wayne counties. TCCSA is governed by representatives from each of the participating public school districts served by TCCSA. TCCSA is recognized as one of twenty-three regional Information Technology Centers (ITC) as defined by the Ohio Department of Education. Each of the participating districts supports TCCSA based upon a per pupil charge dependent upon the software package utilized. Financial information can be obtained by contacting the Executive Director at the Tri-County Computer Services Association located at 2125 Eagle Pass, Wooster, OH 44691. During the fiscal year ended June 30, 2016, the School District paid \$246,306 to TCCSA for basic service charges.

**B. Wayne County Career Center**

The Wayne County Career Center (the Career Center), a joint vocational school, is a jointly governed organization providing vocational services to its ten member school districts. The Career Center is governed by a board of education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the School District’s continued participation and no equity interest exists.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 13 - PUBLIC ENTITY RISK POOL**

The School District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the “Program”) is an employee health benefit plan which covers the participating members’ employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

**B. Litigation**

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

**C. School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 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 school districts, 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, 2015 or June 30, 2016 Foundation funding for the School 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 School District.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 15 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2016, the IDEA Special Education Grant Fund had a deficit balance in the amount of \$102,339. This deficit fund balance was created at June 30, 2016, as a result of the timing of grant disbursements.

**B. Compliance**

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

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget 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 cash basis are that:

- a. 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 a disbursement; and,
- b. Some funds are included in the general fund (cash 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 cash basis for the general fund is as follows:

Net Change in Fund Balance	
	<u>General Fund</u>
Cash Basis	\$ 1,672,375
Funds budgeted elsewhere**	(18,703)
Adjustment for encumbrances	<u>(405,808)</u>
Budget Basis	<u>\$ 1,247,864</u>

\*\*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 the cash basis. This includes the unclaimed funds, rotary and public school support funds.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 17 - SIGNIFICANT COMMITMENTS**

**A. Contractual Commitments**

At June 30, 2016, the School District had the following outstanding contractual commitments:

<u>Project</u>	<u>Contracted Amount</u>	<u>Amount Remaining</u>
HVAC Repair	\$ 130,356	\$ 130,356
Roof Repair	23,100	2,000
Total	<u>\$ 153,456</u>	<u>\$ 132,356</u>

**B. Other Commitments**

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

<u>Fund</u>	<u>Amount</u>
General	\$ 409,440
Other Governmental	206,980
	<u>\$ 616,420</u>

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 18 - FUND BALANCE**

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

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

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable for:			
Unclaimed Funds	\$ 35,095	\$ 0	\$ 35,095
Restricted for:			
Permanent Improvements	0	443,076	443,076
Classroom Facilities Maintenance	0	461,006	461,006
Debt Retirement	0	649,046	649,046
Food Service Operations	0	524,219	524,219
Extracurricular Activities	0	73,402	73,402
Regular Instruction	0	9,333	9,333
Special Instruction	0	1,765	1,765
Technology Improvement	0	12,025	12,025
Total Restricted	<u>0</u>	<u>2,173,872</u>	<u>2,173,872</u>
Assigned for:			
Other Purposes	57,624	0	57,624
Instruction	186,514	0	186,514
Support Services	217,196	0	217,196
Capital Outlay	3,844	0	3,844
Subsequent Years Appropriations	20,000	0	20,000
Total Assigned	<u>485,178</u>	<u>0</u>	<u>485,178</u>
Unassigned	<u>5,900,566</u>	<u>(102,339)</u>	<u>5,798,227</u>
Total Fund Balances	<u>\$ 6,420,839</u>	<u>\$ 2,071,533</u>	<u>\$ 8,492,372</u>

**NOTE 19 - INTERFUND TRANSFERS**

During fiscal year 2016, the School District transferred \$58,217 from the Permanent Improvement fund to the OFCC fund. This transfer was made to correct the local share and to close the account out.

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**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ -	\$ 26,467
Cash Assistance:			
School Breakfast Program	10.553		103,854
National School Lunch Program	10.555		400,501
Summer Food Program	10.559		28,635
Total Child Nutrition Cluster			559,457
Total U.S. Department of Agriculture			559,457
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b> <i>Passed Through Ohio Department of Job &amp; Family Services</i>			
Temporary Assistance for Needy Families	93.558	113,918	113,918
Total U.S. Department of Health and Human Services		113,918	113,918
<b>U.S. DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>			
Special Education - Grants to States	84.027		43,491
Total Special Education - Grants to States			342,830
Title I Grants to Local Educational Agencies	84.010		70,233
Total Title I Grants to Local Educational Agencies			361,617
Rural Education	84.358		17,361
English Language Acquisition State Grants	84.365		5,720
Total English Language Acquisition State Grants			10,606
Improving Teacher Quality State Grants	84.367		57,765
Total Improving Teacher Quality State Grants			77,727
Total U.S. Department of Education			135,492
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 113,918</b>	<b>\$ 1,660,725</b>

*The accompanying notes are an integral part of this schedule.*

**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FISCAL 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 Orrville City School District, Wayne County (the School District's) 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 School District, it is not intended to and does not present the financial position or changes in net position of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, 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 School 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 School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**NOTE D – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at the fair value. The School 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

Orrville City School District  
Wayne County  
815 North Ella Street  
Orrville, Ohio 44667

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 cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Orrville City School District, Wayne County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 29, 2016, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

***School District's Response to Finding***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 29, 2016



# Dave Yost • Auditor of State

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

Orrville City School District  
Wayne County  
815 North Ella Street  
Orrville, Ohio 44667

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Orrville City School District's, Wayne County, Ohio (the School 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 each of the Orrville City School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

### ***Management's Responsibility***

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

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

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

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

***Basis for Qualified Opinion on Title I Grants to Local Educational Agencies and Special Education – Grants to States***

As described in finding 2016-002 in the accompanying schedule of findings, the School District did not comply with requirements regarding Cash Management applicable to its Title I Grants to Local Educational Agencies and Special Education – Grants to States major federal programs. Compliance with these requirements is necessary, in our opinion, for the School District to comply with requirements applicable to these programs.

***Qualified Opinion on Title I Grants to Local Educational Agencies and Special Education – Grants to States***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies and Special Education – Grants to States* paragraph, the Orrville City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I Grants to Local Educational Agencies and Special Education – Grants to States for the year ended June 30, 2016.

***Report on Internal Control Over Compliance***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2016-002.

Orrville City School District  
Wayne County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance Required By the Uniform Guidance  
Page 3

The School District's response to our internal control over compliance finding is described in the accompanying corrective action plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 29, 2016

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**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 84.010 – Title I Grants to Local Educational Agencies CFDA # 84.027 – Special Education – Grants to States
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	No

ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016  
(Continued)

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

FINDING NUMBER 2016-001

**Noncompliance**

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

**Ohio Admin. Code § 117-2-03(B)** requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The School District prepared its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from GAAP. There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the School District being fined or other administrative remedies.

The School District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Officials' Response:** See Corrective Action Plan.

**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY**

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

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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**1. Cash Management**

<b>Finding Number</b>	2016-002		
<b>CFDA Title and Number</b>	CFDA # 84.010 – Title I Grants to Local Educational Agencies CFDA # 84.027 – Special Education – Grants to States		
<b>Federal Award Identification Number / Year</b>	2016		
<b>Federal Agency</b>	U.S. Department of Education		
<b>Pass-Through Entity</b>	Ohio Department of Education		
<b>Repeat Finding from Prior Audit?</b>	No	<b>Finding Number (if repeat)</b>	n/a

**Noncompliance/Material Weakness**

**2 CFR § 3474.1** gives regulatory effect to the Department of Education for **2 CFR § 200.305(b)**, which indicates for non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

The Ohio Department of Education issued Grants Management Guidance 2015-004 - "Cash Management Guidelines" stating the timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity. Therefore, when requesting advance funds, non-Federal entities must now liquidate cash advances within five business days after receiving the funds.

The District does not have a policy to ensure compliance with the cash management guidance of spending advance payments within five business days after receiving the funds. As a result, it was noted excess funds were on hand after 5 business days of receipt of the advances. All three advance requests tested for Title I were not liquidated within 5 days, ranging from 11 days to 20 days before the advance was liquidated. This resulted in approximately \$23 of interest that could have been earned on these excess funds. In addition, two of the three advance requests tested for Special Education were not liquidated within the 5 day period, ranging from 16 to 20 days before the advance was liquidated. This resulted in approximately \$7 of interest that could have been earned on these excess funds.

This could result in the School District earning interest on the cash balance on hand in excess of five business days of more than \$500, which would be required to be returned to the Ohio Department of Education.

The School District should ensure policies and procedures are in place to liquidate the advances within 5 days of receipt.

**Officials' Response:** See Corrective Action Plan.

**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001 2014-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-(03)B - Filing GAAP Financial Statements	Not Corrected	See finding 2016-001 and Corrective Action Plan.

**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	Every year the Board of Education passes a resolution to prepare cash basis financial statements. The Orrville City School Board of Education recognizes the value in preparing timely and accurate financial statements to reflect the School District's operations as of fiscal year end. Due to the cost requirements of preparing these financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year end statements on a cash basis of accounting will reflect the School District's financial position and allow for resources previously spent on GAAP to be allocated for educational purposes.	N/A	Mark Dickerhoof, Treasurer
2016-002	The policies governing the administration of federal grants will be updated to help ensure compliance with cash management requirements. In conjunction with the updated policy, the Treasurer will be requesting federal funds at a later date in the month. This will allow for a more accurate request to be submitted. The advance requested will be limited to request for salaries and benefits.	Policies updated at the Board of Education's October meeting and Treasurer implemented immediately.	The Board of Education and Mark Dickerhoof, Treasurer

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# Dave Yost • Auditor of State

**ORRVILLE CITY SCHOOL DISTRICT**

**WAYNE 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 29, 2016**