



Dave Yost • Auditor of State



**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
General Purpose External Financial Statements:	
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	22
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	26
Statement of Net Position – Proprietary Funds .....	27
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	28
Statement of Cash Flows – Proprietary Funds .....	29
Statement of Fiduciary Net Position – Fiduciary Funds.....	30
Statement of Change in Fiduciary Net Position – Fiduciary Fund .....	31
Notes to the Basic Financial Statements .....	33
Schedules of Required Supplementary Information .....	75
Notes to the Schedules of Required Supplementary Information .....	82
Schedule of Federal Awards Receipts and Expenditures.....	83
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	84
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	85
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A133.....	87
Schedule of Findings.....	89

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ontario Local School District, Richland County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ontario Local School District, Richland County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

December 28, 2015

**THIS PAGE INTENTIONALLY LEFT BLANK**



**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

The management's discussion and analysis of Ontario Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- In total, net position increased \$1,571,813. Net position of governmental activities increased \$1,541,452, which represents an 18.81% increase from 2014 restated deficit balance of \$8,193,862. Net position of business-type activities increased \$30,361 or 35.04% from 2014 restated deficit balance of \$86,653.
- General revenues accounted for \$16,081,281 in revenue or 78.47% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$4,411,958 or 21.53% of total governmental activities revenues of \$20,493,239.
- The District had \$18,951,787 in expenses related to governmental activities; only \$4,411,958 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily property taxes and unrestricted grants and entitlements) of \$16,081,281 were used to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$16,926,592 in revenues and \$16,138,106 in expenditures. The fund balance of the general fund increased from a balance of \$4,063,752 to \$4,841,755.
- The District's other major governmental fund is the debt service fund. The debt service fund had \$1,591,439 in revenues and \$1,515,868 in expenditures. The fund balance of the debt service fund increased from \$2,546,716 to \$2,622,287.

**Using this Financial Report**

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* except for fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**Governmental Activities** - Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, and extracurricular activities.

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

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

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

***Governmental Funds***

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

***Proprietary Funds***

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

**Reporting the District's Fiduciary Responsibilities**

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-68 of this report.

***Required Supplemental Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 69-73 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

	<b>Net Position</b>					
	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<b><u>Assets</u></b>						
Current assets	\$ 18,656,931	\$ 17,867,003	\$ 66,321	\$ 69,208	\$ 18,723,252	\$ 17,936,211
Capital assets, net	22,855,123	22,609,390	6,827	7,392	22,861,950	22,616,782
Total assets	<u>41,512,054</u>	<u>40,476,393</u>	<u>73,148</u>	<u>76,600</u>	<u>41,585,202</u>	<u>40,552,993</u>
<b><u>Deferred outflows of resources</u></b>						
Unamortized deferred charges						
on debt refunding	237,576	285,360	-	-	237,576	285,360
Pension	1,569,361	1,314,321	8,331	6,932	1,577,692	1,321,253
Total deferred outflows of resources	<u>1,806,937</u>	<u>1,599,681</u>	<u>8,331</u>	<u>6,932</u>	<u>1,815,268</u>	<u>1,606,613</u>
<b><u>Liabilities</u></b>						
Current liabilities	2,433,931	2,283,347	18,549	17,565	2,452,480	2,300,912
Long-term liabilities:						
Due within one year	1,417,751	1,287,519	12,626	-	1,430,377	1,287,519
Due in more than one year:						
Net pension liability	21,037,354	24,968,966	91,380	140,412	21,128,734	25,109,378
Other amounts	13,237,696	13,665,626	-	12,208	13,237,696	13,677,834
Total liabilities	<u>38,126,732</u>	<u>42,205,458</u>	<u>122,555</u>	<u>170,185</u>	<u>38,249,287</u>	<u>42,375,643</u>
<b><u>Deferred inflows of resources</u></b>						
Property taxes levied for the next fiscal year	7,851,593	8,016,166	-	-	7,851,593	8,016,166
PILOTS levied for the next fiscal year	182,221	48,312	-	-	182,221	48,312
Pension	3,810,855	-	15,216	-	3,826,071	-
Total deferred inflows of resources	<u>11,844,669</u>	<u>8,064,478</u>	<u>15,216</u>	<u>-</u>	<u>11,859,885</u>	<u>8,064,478</u>
<b><u>Net Position</u></b>						
Net investment in capital assets	10,732,941	9,713,916	6,827	7,392	10,739,768	9,721,308
Restricted	2,439,225	2,239,340	-	-	2,439,225	2,239,340
Unrestricted (deficit)	(19,824,576)	(20,147,118)	(63,119)	(94,045)	(19,887,695)	(20,241,163)
Total net position (deficit)	<u>\$ (6,652,410)</u>	<u>\$ (8,193,862)</u>	<u>\$ (56,292)</u>	<u>\$ (86,653)</u>	<u>\$ (6,708,702)</u>	<u>\$ (8,280,515)</u>

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

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

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

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

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

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

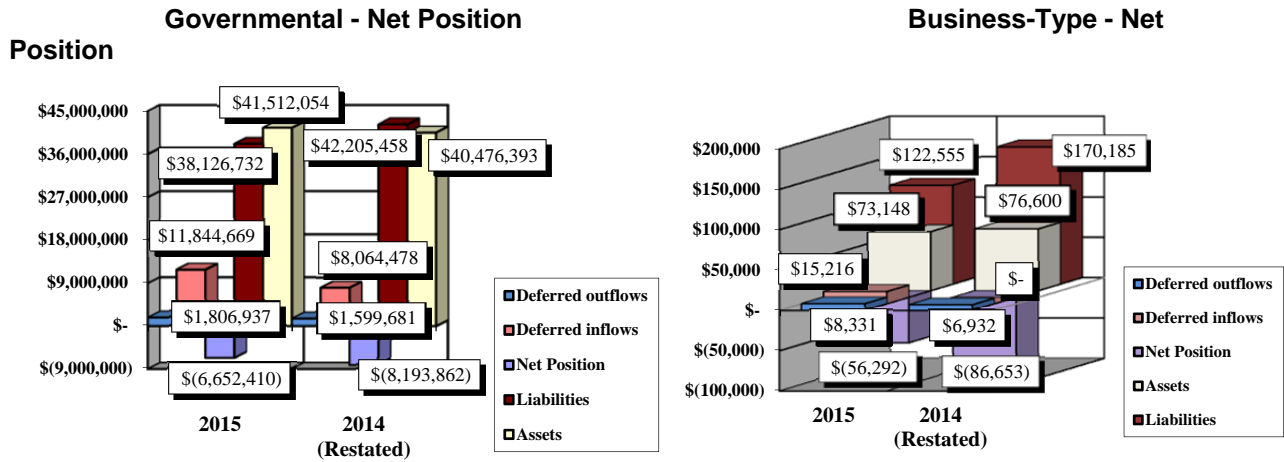
In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$15,507,610 to (\$8,280,515).

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2015 and June 30, 2014. The amounts at June 30, 2014 have been restated as described in Note 3.A.



The table below shows the change in net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

**Change in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 2,872,163	\$ 2,867,631	\$ 81,180	\$ 83,115	\$ 2,953,343	\$ 2,950,746
Operating grants and contributions	1,507,787	1,412,397	-	-	1,507,787	1,412,397
Capital grants and contributions	32,008	-	-	-	32,008	-
General revenues:						
Property taxes	10,466,870	9,491,051	-	-	10,466,870	9,491,051
Payments in lieu of taxes	98,312	51,812	-	-	98,312	51,812
Grants and entitlements not restricted	5,398,675	5,165,030	-	-	5,398,675	5,165,030
Investment earnings	45,194	49,056	-	-	45,194	49,056
Miscellaneous	72,230	82,869	-	-	72,230	82,869
<b>Total revenues</b>	<b>20,493,239</b>	<b>19,119,846</b>	<b>81,180</b>	<b>83,115</b>	<b>20,574,419</b>	<b>19,202,961</b>

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

	Governmental Activities		Business-Type Activities		Totals	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<b>Expenses</b>						
Program expenses:						
Instruction:						
Regular	\$ 7,619,633	\$ 7,749,518	\$ -	\$ -	\$ 7,619,633	\$ 7,749,518
Special	1,948,227	1,910,521	-	-	1,948,227	1,910,521
Vocational	210,149	281,380	-	-	210,149	281,380
Other	680,472	568,089	-	-	680,472	568,089
Support services:						
Pupil	937,976	1,000,268	-	-	937,976	1,000,268
Instructional staff	792,482	706,150	-	-	792,482	706,150
Board of education	71,148	83,482	-	-	71,148	83,482
Administration	1,436,884	1,276,949	-	-	1,436,884	1,276,949
Fiscal	579,513	594,871	-	-	579,513	594,871
Operations and maintenance	1,641,795	1,648,645	-	-	1,641,795	1,648,645
Pupil transportation	789,829	825,919	-	-	789,829	825,919
Central	33,031	19,568	-	-	33,031	19,568
Operation of non-instructional services:						
Food service operations	832,629	825,845	-	-	832,629	825,845
Other non-instructional services	18,759	3,750	-	-	18,759	3,750
Extracurricular activities	731,209	656,984	-	-	731,209	656,984
Interest and fiscal charges	628,051	633,261	-	-	628,051	633,261
Preschool/latchkey	-	-	50,819	78,224	50,819	78,224
Total expenses	<u>18,951,787</u>	<u>18,785,200</u>	<u>50,819</u>	<u>78,224</u>	<u>19,002,606</u>	<u>18,863,424</u>
Changes in net position	1,541,452	334,646	30,361	4,891	1,571,813	339,537
Net position (deficit) at beginning of year (restated)	<u>(8,193,862)</u>	<u>(8,528,508)</u>	<u>(86,653)</u>	<u>(91,544)</u>	<u>(8,280,515)</u>	<u>(8,620,052)</u>
Net position (deficit) at end of year	<u>\$ (6,652,410)</u>	<u>\$ (8,193,862)</u>	<u>\$ (56,292)</u>	<u>\$ (86,653)</u>	<u>\$ (6,708,702)</u>	<u>\$ (8,280,515)</u>

**Governmental Activities**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,321,253 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$967,342.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

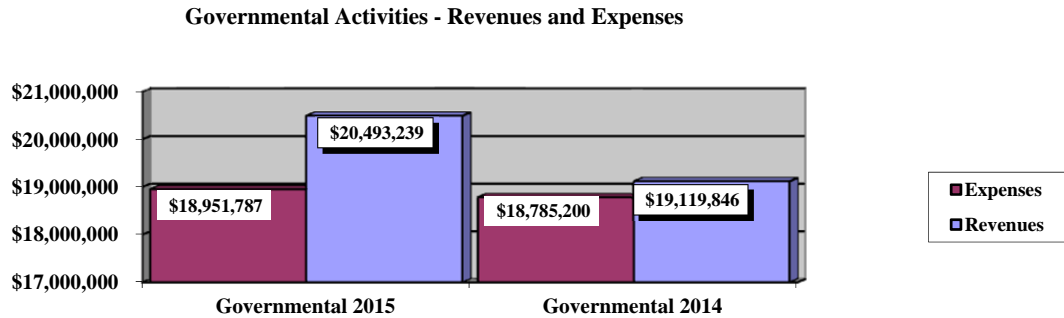
Total 2015 program expenses under GASB 68	\$ 18,951,787
Pension expense under GASB 68	
2015 contractually required contributions	<u>(967,342)</u>
Adjusted 2015 program expenses	17,984,445
Total 2014 program expenses under GASB 27	<u>18,785,200</u>
Decrease in program expenses not related to pension	<u>\$ (800,755)</u>

Net position of the District's governmental activities increased \$1,541,452 over the 2014 restated balance. Total governmental expenses of \$18,951,787 were offset by program revenues of \$4,411,958, and general revenues of \$16,081,281. Program revenues supported 23.28% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 77.42% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,458,481 or 55.18% of total governmental expenses for fiscal year 2015.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2015 and 2014.



The statement of activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2015 and 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.



**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

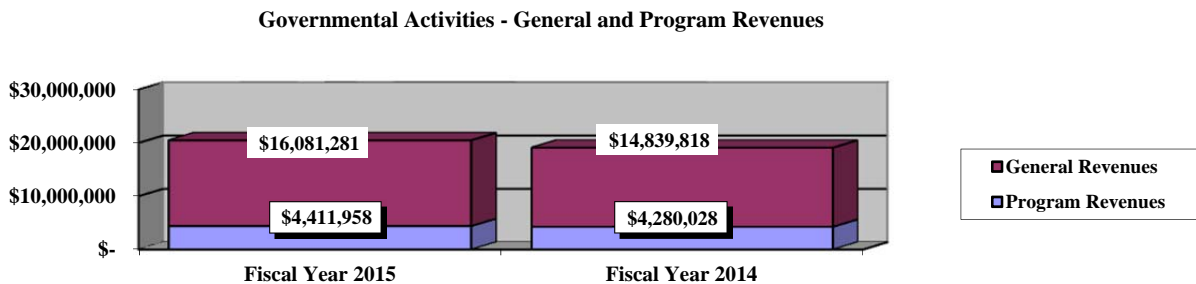
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

**Governmental Activities**

	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
Program expenses:				
Instruction:				
Regular	\$ 7,619,633	\$ 5,422,531	\$ 7,749,518	\$ 5,573,271
Special	1,948,227	1,054,181	1,910,521	1,076,311
Vocational	210,149	192,541	281,380	260,753
Other	680,472	680,472	568,089	568,089
Support services:				
Pupil	937,976	886,630	1,000,268	931,695
Instructional staff	792,482	777,269	706,150	682,363
Board of education	71,148	71,148	83,482	83,482
Administration	1,436,884	1,436,884	1,276,949	1,274,623
Fiscal	579,513	579,284	594,871	594,871
Operations and maintenance	1,641,795	1,605,469	1,648,645	1,639,134
Pupil transportation	789,829	745,662	825,919	797,443
Central	33,031	33,031	19,568	19,568
Operation of non-instructional services:				
Food service operations	832,629	26,376	825,845	(10,074)
Other non-instructional services	18,759	17,855	3,750	3,750
Extracurricular activities	731,209	382,482	656,984	376,632
Interest and fiscal charges	<u>628,051</u>	<u>628,014</u>	<u>633,261</u>	<u>633,261</u>
Total expenses	<u>\$ 18,951,787</u>	<u>\$ 14,539,829</u>	<u>\$ 18,785,200</u>	<u>\$ 14,505,172</u>

The dependence upon tax revenues during fiscal year 2015 for governmental activities is apparent, as 70.28% of 2015 instruction activities are supported through taxes and other general revenues. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2015 and 2014.



**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

**Business-Type Activities**

Business-type activities include preschool/latchkey operations. These programs had revenues of \$81,180 and expenses of \$50,819 for fiscal year 2015. The District's business-type activities do not receive support from tax revenues.

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$7,993,416, which is \$1,233,175 more than last year's total of \$6,760,241. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	<u>Fund Balance</u> <u>June 30, 2015</u>	<u>Fund Balance</u> <u>June 30, 2014</u>	<u>Increase</u>
General	\$ 4,841,755	\$ 4,063,752	\$ 778,003
Debt Service	2,622,287	2,546,716	75,571
Other governmental	<u>529,374</u>	<u>149,773</u>	<u>379,601</u>
Total	<u>\$ 7,993,416</u>	<u>\$ 6,760,241</u>	<u>\$ 1,233,175</u>

**General Fund**

The District's general fund balance increased \$778,003 during fiscal year 2015. The table that follows assists in illustrating the revenues of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 9,132,346	\$ 8,189,823	11.51 %
Intergovernmental	5,389,786	5,130,946	5.04 %
Other revenues	<u>2,404,460</u>	<u>2,215,955</u>	8.51 %
Total	<u>\$ 16,926,592</u>	<u>\$ 15,536,724</u>	8.95 %

Tax revenue increased by \$942,523 or 11.51% from fiscal year 2015, partially due to an increase of \$489,561 in the amount of taxes available for advance, which is determined by timing of the tax bills sent by the County auditor. All other revenues remained consistent with prior fiscal year.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

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

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
Instruction	\$ 9,490,729	\$ 9,483,225	0.08 %
Support services	6,096,224	5,887,740	3.54 %
Operation of non-instructional services	16,711	-	100.00 %
Extracurricular activities	363,143	331,238	9.63 %
Debt service	163,555	122,066	33.99 %
Facilities acquisition and construction	<u>7,744</u>	<u>117,559</u>	(93.41) %
Total	<u>\$ 16,138,106</u>	<u>\$ 15,941,828</u>	1.23 %

Facilities acquisition and construction decreased \$109,815 or 93.41% due to the decrease of building expenditures in fiscal year 2015. Debt service increased \$41,489 or 33.99% due to the District beginning to make principal payments on the 2011 energy conservation notes in fiscal year 2015. Operation of non-instructional services increased \$16,711 or 100.00% due to an increase in transportation shared services from entering into a contract with Galion School District to share a transportation employee. All other expenditures remained consistent with prior fiscal year.

***Debt Service Fund***

The District's other major governmental fund is the debt service fund. The debt service fund had \$1,591,439 in revenues and \$1,515,868 in expenditures. The fund balance of the debt service fund increased \$75,571 from \$2,546,716 to \$2,622,287.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2015, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$252,824 below actual revenues and other financing sources of \$16,404,387. The original budgeted revenues and other financing sources were \$90,254 higher than final budgeted revenues and other financing sources.

General fund final appropriations were \$16,667,972. The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$16,485,474, which was \$182,498 less than the final budget appropriations. The final appropriations were \$486,559 greater than the original appropriations.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2015, the District had \$22,861,950 invested in land, land/improvements, buildings/improvements, furniture/equipment, vehicles, and infrastructure. \$22,855,123 was reported in the governmental activities and \$6,827 was reported in the business-type activities.

The following table shows fiscal year 2015 balances compared to 2014:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 40,839	\$ 40,839	\$ -	\$ -	\$ 40,839	\$ 40,839
Land/improvements	725,778	298,756	6,827	7,392	732,605	306,148
Building/improvements	19,979,802	20,323,639	-	-	19,979,802	20,323,639
Furniture/equipment	1,007,687	840,267	-	-	1,007,687	840,267
Vehicles	609,232	599,226	-	-	609,232	599,226
Infrastructure	491,785	506,663	-	-	491,785	506,663
<b>Total</b>	<b><u>\$ 22,855,123</u></b>	<b><u>\$ 22,609,390</u></b>	<b><u>\$ 6,827</u></b>	<b><u>\$ 7,392</u></b>	<b><u>\$ 22,861,950</u></b>	<b><u>\$ 22,616,782</u></b>

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

**Debt Administration**

At June 30, 2015 the District had \$13,266,731 in general obligation bonds, capital leases, tax anticipation notes, and energy conservation notes outstanding. The general obligation bond issue is comprised of current issue bonds and capital appreciation bonds. Of this total debt outstanding, \$1,334,551 is due within one year and \$11,932,180 is due in more than one year. The table below summarizes the bonds, leases, and notes outstanding:

	<u>Governmental Activities 2015</u>	<u>Governmental Activities 2014</u>
	Current interest bonds	\$ 10,240,000
Capital appreciation bonds	74,996	74,996
Capital appreciation bonds - accreted interest	702,642	540,258
Capital leases	174,883	21,463
Tax anticipation note	485,000	-
Energy conservation notes	1,589,210	1,450,028
<b>Total</b>	<b><u>\$ 13,266,731</u></b>	<b><u>\$ 13,376,745</u></b>

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

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

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

**Current Financial Related Activities**

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

**Contacting the District's Financial Management**

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**STATEMENT OF NET POSITION  
JUNE 30, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 7,237,034	\$ 66,321	\$ 7,303,355
Cash with fiscal agent . . . . .	166,753	-	166,753
Receivables:			
Property taxes . . . . .	10,490,858	-	10,490,858
Payment in lieu of taxes . . . . .	182,221	-	182,221
Accounts . . . . .	146	-	146
Accrued interest. . . . .	4,504	-	4,504
Intergovernmental. . . . .	369,857	-	369,857
Prepayments . . . . .	2,459	-	2,459
Materials and supplies inventory. . . . .	203,099	-	203,099
Capital assets:			
Nondepreciable capital assets . . . . .	40,839	-	40,839
Depreciable capital assets, net. . . . .	22,814,284	6,827	22,821,111
Capital assets, net. . . . .	<u>22,855,123</u>	<u>6,827</u>	<u>22,861,950</u>
Total assets . . . . .	<u>41,512,054</u>	<u>73,148</u>	<u>41,585,202</u>
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refunding . . . . .	237,576	-	237,576
Pension - STRS . . . . .	1,226,494	1,190	1,227,684
Pension - SERS . . . . .	342,867	7,141	350,008
Total deferred outflows of resources . . . . .	<u>1,806,937</u>	<u>8,331</u>	<u>1,815,268</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	71,764	-	71,764
Contracts payable . . . . .	166,753	-	166,753
Accrued wages and benefits payable . . . . .	1,706,171	7,881	1,714,052
Intergovernmental payable. . . . .	68,233	300	68,533
Pension obligation payable. . . . .	267,049	1,713	268,762
Accrued interest payable. . . . .	32,365	-	32,365
Unearned revenue . . . . .	-	8,655	8,655
Claims payable . . . . .	121,596	-	121,596
Long-term liabilities:			
Due within one year . . . . .	1,417,751	12,626	1,430,377
Due in more than one year:			
Net pension liability. . . . .	21,037,354	91,380	21,128,734
Other amounts due in more than one year . . . . .	13,237,696	-	13,237,696
Total liabilities. . . . .	<u>38,126,732</u>	<u>122,555</u>	<u>38,249,287</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	7,851,593	-	7,851,593
Payment in lieu of taxes levied for the next fiscal year . . . . .	182,221	-	182,221
Pension - STRS. . . . .	3,230,769	3,134	3,233,903
Pension - SERS. . . . .	580,086	12,082	592,168
Total deferred inflows of resources. . . . .	<u>11,844,669</u>	<u>15,216</u>	<u>11,859,885</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	10,732,941	6,827	10,739,768
Restricted for:			
Capital projects . . . . .	289,840	-	289,840
Debt service . . . . .	1,934,857	-	1,934,857
Locally funded programs. . . . .	6,649	-	6,649
Federally funded programs. . . . .	1,386	-	1,386
Student activities. . . . .	105,468	-	105,468
Other purposes . . . . .	101,025	-	101,025
Unrestricted (deficit) . . . . .	(19,824,576)	(63,119)	(19,887,695)
Total net position (deficit) . . . . .	<u>\$ (6,652,410)</u>	<u>\$ (56,292)</u>	<u>\$ (6,708,702)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 7,619,633	\$ 2,134,695	\$ 60,318	\$ 2,089
Special . . . . .	1,948,227	-	894,046	-
Vocational . . . . .	210,149	-	17,608	-
Other . . . . .	680,472	-	-	-
Support services:				
Pupil . . . . .	937,976	48,572	2,774	-
Instructional staff . . . . .	792,482	-	15,213	-
Board of education . . . . .	71,148	-	-	-
Administration . . . . .	1,436,884	-	-	-
Fiscal . . . . .	579,513	-	-	229
Operations and maintenance . . . . .	1,641,795	6,673	-	29,653
Pupil transportation . . . . .	789,829	16,711	27,456	-
Central . . . . .	33,031	-	-	-
Operation of non-instructional services:				
Other non-instructional services . . . . .	18,759	-	904	-
Food service operations . . . . .	832,629	374,670	431,583	-
Extracurricular activities . . . . .	731,209	290,842	57,885	-
Interest and fiscal charges . . . . .	628,051	-	-	37
Total governmental activities . . . . .	18,951,787	2,872,163	1,507,787	32,008
<b>Business-type activities:</b>				
Preschool/ latchkey . . . . .	50,819	81,180	-	-
Total business-type activities . . . . .	50,819	81,180	-	-
Totals . . . . .	\$ 19,002,606	\$ 2,953,343	\$ 1,507,787	\$ 32,008

**General revenues:**

Property taxes levied for:

- General purposes . . . . .
- Debt service . . . . .
- Capital outlay . . . . .
- Payments in lieu of taxes . . . . .
- Grants and entitlements not restricted to specific programs . . . . .
- Investment earnings . . . . .
- Miscellaneous . . . . .

Total general revenues . . . . .

Change in net position . . . . .

**Net position (deficit) at beginning of year (restated)**

**Net position (deficit) at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (5,422,531)	\$ -	\$ (5,422,531)
(1,054,181)	-	(1,054,181)
(192,541)	-	(192,541)
(680,472)	-	(680,472)
(886,630)	-	(886,630)
(777,269)	-	(777,269)
(71,148)	-	(71,148)
(1,436,884)	-	(1,436,884)
(579,284)	-	(579,284)
(1,605,469)	-	(1,605,469)
(745,662)	-	(745,662)
(33,031)	-	(33,031)
(17,855)	-	(17,855)
(26,376)	-	(26,376)
(382,482)	-	(382,482)
(628,014)	-	(628,014)
<u>(14,539,829)</u>	<u>-</u>	<u>(14,539,829)</u>
-	30,361	30,361
-	30,361	30,361
<u>(14,539,829)</u>	<u>30,361</u>	<u>(14,509,468)</u>
9,046,700	-	9,046,700
1,160,920	-	1,160,920
259,250	-	259,250
98,312	-	98,312
5,398,675	-	5,398,675
45,194	-	45,194
<u>72,230</u>	<u>-</u>	<u>72,230</u>
<u>16,081,281</u>	<u>-</u>	<u>16,081,281</u>
1,541,452	30,361	1,571,813
<u>(8,193,862)</u>	<u>(86,653)</u>	<u>(8,280,515)</u>
<u>\$ (6,652,410)</u>	<u>\$ (56,292)</u>	<u>\$ (6,708,702)</u>

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 4,320,364	\$ 2,375,867	\$ 540,803	\$ 7,237,034
Cash with fiscal agent. . . . .	-	-	166,753	166,753
Receivables:				
Property taxes. . . . .	9,067,480	1,164,788	258,590	10,490,858
Payment in lieu of taxes . . . . .	122,221	-	60,000	182,221
Accounts . . . . .	146	-	-	146
Accrued interest . . . . .	4,504	-	-	4,504
Interfund loans . . . . .	301,926	-	-	301,926
Intergovernmental. . . . .	313,556	-	56,301	369,857
Prepayments. . . . .	2,459	-	-	2,459
Materials and supplies inventory. . . . .	186,631	-	16,468	203,099
<b>Total assets . . . . .</b>	<b><u>\$ 14,319,287</u></b>	<b><u>\$ 3,540,655</u></b>	<b><u>\$ 1,098,915</u></b>	<b><u>\$ 18,958,857</u></b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 71,764	\$ -	\$ -	\$ 71,764
Contracts payable. . . . .	-	-	166,753	166,753
Accrued wages and benefits payable . . . . .	1,596,491	-	109,680	1,706,171
Compensated absences payable . . . . .	46,541	-	-	46,541
Intergovernmental payable . . . . .	63,849	-	4,384	68,233
Pension obligation payable . . . . .	242,208	-	24,841	267,049
<b>Total liabilities. . . . .</b>	<b><u>2,020,853</u></b>	<b><u>-</u></b>	<b><u>305,658</u></b>	<b><u>2,326,511</u></b>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	6,786,305	871,754	193,534	7,851,593
Payment in lieu of taxes levied for the next fiscal year . . . . .	122,221	-	60,000	182,221
Delinquent property tax revenue not available. . . . .	362,878	46,614	10,349	419,841
Accrued interest not available. . . . .	2,565	-	-	2,565
Miscellaneous revenue not available. . . . .	182,710	-	-	182,710
<b>Total deferred inflows of resources . . . . .</b>	<b><u>7,456,679</u></b>	<b><u>918,368</u></b>	<b><u>263,883</u></b>	<b><u>8,638,930</u></b>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	186,631	-	16,468	203,099
Prepays. . . . .	2,459	-	-	2,459
Restricted:				
Debt service . . . . .	-	2,622,287	-	2,622,287
Capital improvements . . . . .	-	-	279,491	279,491
Food service operations . . . . .	-	-	115,468	115,468
Special education . . . . .	-	-	4,444	4,444
Targeted academic assistance . . . . .	-	-	1,386	1,386
Other purposes. . . . .	-	-	6,649	6,649
Extracurricular. . . . .	-	-	105,468	105,468
Assigned:				
Student and staff support. . . . .	54,219	-	-	54,219
School supplies . . . . .	2,450	-	-	2,450
Unassigned . . . . .	4,595,996	-	-	4,595,996
<b>Total fund balances . . . . .</b>	<b><u>4,841,755</u></b>	<b><u>2,622,287</u></b>	<b><u>529,374</u></b>	<b><u>7,993,416</u></b>
<b>Total liabilities, deferred inflows and fund balances. . . . .</b>	<b><u>\$ 14,319,287</u></b>	<b><u>\$ 3,540,655</u></b>	<b><u>\$ 1,098,915</u></b>	<b><u>\$ 18,958,857</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2015**

<b>Total governmental fund balances</b>		<b>\$ 7,993,416</b>
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,855,123
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 419,841	
Accrued interest receivable	2,565	
Intergovernmental receivable	182,710	
Total	605,116	605,116
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		(423,522)
Unamortized premiums on bonds issued are not recognized in the funds.		(280,669)
Unamortized amounts on refundings are not recognized in the funds.		237,576
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(32,365)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows of resources - pension	1,569,361	
Deferred inflows of resources - pension	(3,810,855)	
Net pension liability	(21,037,354)	
Total	(23,278,848)	(23,278,848)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(11,017,638)	
General obligation tax anticipation note	(485,000)	
Capital lease obligations	(174,883)	
Compensated absences	(1,061,506)	
Notes payable	(1,589,210)	
Total	(14,328,237)	(14,328,237)
<b>Net position of governmental activities</b>		<b>\$ (6,652,410)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 9,132,346	\$ 1,174,121	\$ 261,844	\$ 10,568,311
Payment in lieu of taxes . . . . .	48,312	-	50,000	98,312
Tuition . . . . .	1,959,173	-	-	1,959,173
Transportation fees . . . . .	16,711	-	-	16,711
Earnings on investments . . . . .	45,923	-	70	45,993
Charges for services . . . . .	-	-	374,670	374,670
Extracurricular . . . . .	21,183	-	290,440	311,623
Classroom materials and fees . . . . .	226,257	-	-	226,257
Rental income . . . . .	6,673	-	-	6,673
Contributions and donations . . . . .	13,871	-	108,663	122,534
Other local revenues . . . . .	66,357	-	402	66,759
Intergovernmental - intermediate . . . . .	-	-	2,084	2,084
Intergovernmental - state . . . . .	5,341,046	417,318	81,411	5,839,775
Intergovernmental - federal . . . . .	48,740	-	931,140	979,880
<b>Total revenues . . . . .</b>	<b>16,926,592</b>	<b>1,591,439</b>	<b>2,100,724</b>	<b>20,618,755</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,099,176	-	99,793	7,198,969
Special . . . . .	1,464,001	-	457,571	1,921,572
Vocational . . . . .	246,675	-	-	246,675
Other . . . . .	680,877	-	-	680,877
Support services:				
Pupil . . . . .	925,106	-	2,734	927,840
Instructional staff . . . . .	718,010	-	15,166	733,176
Board of education . . . . .	71,570	-	-	71,570
Administration . . . . .	1,403,141	-	-	1,403,141
Fiscal . . . . .	551,000	25,461	5,934	582,395
Operations and maintenance . . . . .	1,592,258	-	-	1,592,258
Pupil transportation . . . . .	801,841	-	-	801,841
Central . . . . .	33,298	-	-	33,298
Operation of non-instructional services:				
Other non-instructional services . . . . .	16,711	-	903	17,614
Food service operations . . . . .	-	-	793,135	793,135
Extracurricular activities . . . . .	363,143	-	306,198	669,341
Facilities acquisition and construction . . . . .	7,744	-	773,826	781,570
Capital outlay . . . . .	-	-	166,753	166,753
Debt service:				
Principal retirement . . . . .	119,870	1,050,000	-	1,169,870
Interest and fiscal charges . . . . .	43,685	440,407	-	484,092
<b>Total expenditures . . . . .</b>	<b>16,138,106</b>	<b>1,515,868</b>	<b>2,622,013</b>	<b>20,275,987</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	788,486	75,571	(521,289)	342,768
<b>Other financing sources:</b>				
Sale of notes . . . . .	-	-	730,719	730,719
Capital lease transaction . . . . .	-	-	166,753	166,753
<b>Total other financing sources . . . . .</b>	<b>-</b>	<b>-</b>	<b>897,472</b>	<b>897,472</b>
Net change in fund balances . . . . .	788,486	75,571	376,183	1,240,240
<b>Fund balances at beginning of year . . . . .</b>	<b>4,063,752</b>	<b>2,546,716</b>	<b>149,773</b>	<b>6,760,241</b>
<b>Increase (decrease) in reserve for inventory . . . . .</b>	<b>(10,483)</b>	<b>-</b>	<b>3,418</b>	<b>(7,065)</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 4,841,755</b>	<b>\$ 2,622,287</b>	<b>\$ 529,374</b>	<b>\$ 7,993,416</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>1,240,240</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 1,159,905	
Current year depreciation	<u>(900,988)</u>	
Total		258,917
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(13,184)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(7,065)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(101,441)	
Earnings on investments	(729)	
Intergovernmental	<u>(23,346)</u>	
Total		(125,516)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	1,050,000	
Notes	106,537	
Capital leases	<u>13,333</u>	
Total		1,169,870
Issuance of loans and capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
Notes	(730,719)	
Capital leases	<u>(166,753)</u>	
Total		(897,472)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	2,531	
Accreted interest on capital appreciation bonds	(162,384)	
Amortization of bond premiums	63,678	
Amortization of deferred charges	<u>(47,784)</u>	
Total		(143,959)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amount as deferred outflows.		
		1,371,448
Except for amounts reported as deferred inflows/ outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(995,651)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		108,462
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>(424,638)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>1,541,452</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 8,400,596	\$ 8,400,382	\$ 8,691,097	\$ 290,715
Tuition . . . . .	2,049,048	2,044,000	1,973,393	(70,607)
Transportation fees . . . . .	55,625	15,929	16,711	782
Earnings on investments . . . . .	36,001	36,000	41,853	5,853
Classroom materials and fees . . . . .	170,005	170,000	188,081	18,081
Rental income . . . . .	9,000	9,000	6,673	(2,327)
Contributions and donations . . . . .	4,000	4,000	5,873	1,873
Other local revenues . . . . .	54,913	55,312	56,981	1,669
Intergovernmental - state . . . . .	5,372,892	5,327,205	5,323,978	(3,227)
Intergovernmental - federal . . . . .	70,001	70,000	52,903	(17,097)
<b>Total revenues . . . . .</b>	<b>16,222,081</b>	<b>16,131,828</b>	<b>16,357,543</b>	<b>225,715</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,272,435	7,307,026	7,169,187	137,839
Special . . . . .	1,483,429	1,524,791	1,470,350	54,441
Vocational . . . . .	298,750	268,315	224,074	44,241
Other . . . . .	618,363	618,507	682,586	(64,079)
Support services:				
Pupil . . . . .	907,191	931,793	881,003	50,790
Instructional staff . . . . .	641,606	641,698	721,329	(79,631)
Board of education . . . . .	67,860	70,873	64,032	6,841
Administration . . . . .	1,347,650	1,460,356	1,402,497	57,859
Fiscal . . . . .	558,591	558,708	556,046	2,662
Operations and maintenance . . . . .	1,555,163	1,582,560	1,646,801	(64,241)
Pupil transportation . . . . .	832,548	837,152	806,705	30,447
Central . . . . .	22,632	22,638	26,580	(3,942)
Other operation of non-instructional services . . . . .	51,967	31,264	16,711	14,553
Extracurricular activities . . . . .	367,816	369,697	364,359	5,338
Facilities acquisition and construction . . . . .	4,999	292,150	2,849	289,301
Debt service:				
Principal . . . . .	106,515	106,537	104,693	1,844
Interest and fiscal charges . . . . .	43,898	43,907	43,746	161
<b>Total expenditures . . . . .</b>	<b>16,181,413</b>	<b>16,667,972</b>	<b>16,183,548</b>	<b>484,424</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	40,668	(536,144)	173,995	710,139
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	19,236	19,235	46,445	27,210
Advances (out) . . . . .	-	-	(301,926)	(301,926)
Sale of capital assets . . . . .	500	500	399	(101)
<b>Total other financing sources (uses) . . . . .</b>	<b>19,736</b>	<b>19,735</b>	<b>(255,082)</b>	<b>(274,817)</b>
Net change in fund balance . . . . .	60,404	(516,409)	(81,087)	435,322
<b>Fund balance at beginning of year . . . . .</b>	<b>4,282,474</b>	<b>4,282,474</b>	<b>4,282,474</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>26,064</b>	<b>26,064</b>	<b>26,064</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 4,368,942</b>	<b>\$ 3,792,129</b>	<b>\$ 4,227,451</b>	<b>\$ 435,322</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015**

	<b>Nonmajor Enterprise Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 66,321	\$ -
	<u>66,321</u>	<u>-</u>
Total current assets . . . . .		
Noncurrent assets:		
Depreciable capital assets, net . . . . .	6,827	-
	<u>6,827</u>	<u>-</u>
Total assets. . . . .	<u>73,148</u>	<u>-</u>
<b>Deferred outflows of resources:</b>		
Pension - STRS . . . . .	1,190	-
Pension - SERS . . . . .	7,141	-
	<u>8,331</u>	<u>-</u>
Total deferred outflows of resources . . . . .		
<b>Liabilities:</b>		
Accrued wages and benefits . . . . .	7,881	-
Compensated absences. . . . .	12,626	-
Pension obligation payable. . . . .	1,713	-
Interfund loan payable . . . . .	-	301,926
Intergovernmental payable . . . . .	300	-
Claims payable . . . . .	-	121,596
Net pension liability . . . . .	91,380	-
Unearned revenue . . . . .	8,655	-
	<u>122,555</u>	<u>423,522</u>
Total liabilities . . . . .		
<b>Deferred inflows of resources:</b>		
Pension - STRS . . . . .	3,134	-
Pension - SERS . . . . .	12,082	-
	<u>15,216</u>	<u>-</u>
Total deferred inflows of resources . . . . .		
<b>Net position:</b>		
Net investment in capital assets . . . . .	6,827	-
Unrestricted (deficit). . . . .	(63,119)	(423,522)
	<u>(56,292)</u>	<u>(423,522)</u>
Total net position (deficit). . . . .	<u>\$ (56,292)</u>	<u>\$ (423,522)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Nonmajor Enterprise Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating revenues:</b>		
Tuition and fees . . . . .	\$ 81,180	\$ -
Charges for services . . . . .	-	2,037,605
Total operating revenues . . . . .	<u>81,180</u>	<u>2,037,605</u>
<b>Operating expenses:</b>		
Personal services . . . . .	16,858	-
Purchased services . . . . .	11,619	338,133
Materials and supplies . . . . .	9,151	-
Other . . . . .	12,626	-
Claims . . . . .	-	2,124,110
Depreciation . . . . .	565	-
Total operating expenses . . . . .	<u>50,819</u>	<u>2,462,243</u>
Change in net position . . . . .	30,361	(424,638)
<b>Net position (deficit) at beginning of year (restated)</b>	<u>(86,653)</u>	<u>1,116</u>
<b>Net position (deficit) at end of year . . . . .</b>	<u><u>\$ (56,292)</u></u>	<u><u>\$ (423,522)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Nonmajor Enterprise Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
	<u>                    </u>	<u>                    </u>
<b>Cash flows from operating activities:</b>		
Cash received from tuition and fees . . . . .	\$ 82,720	\$ -
Cash received from charges for services. . . . .	-	2,037,605
Cash payments for personal services. . . . .	(64,837)	-
Cash payments for contractual services . . . . .	(11,619)	(338,133)
Cash payments for materials and supplies . . . . .	(9,151)	-
Cash payments for claims . . . . .	-	(2,098,514)
	<u>                    </u>	<u>                    </u>
Net cash used in operating activities . . . . .	(2,887)	(399,042)
<b>Cash flows from noncapital financing activities:</b>		
Cash received from interfund loans . . . . .	-	301,926
	<u>                    </u>	<u>                    </u>
Net cash provided by noncapital financing activities. . . . .	-	301,926
	<u>                    </u>	<u>                    </u>
Net decrease in cash and cash equivalents . . . . .	(2,887)	(97,116)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>69,208</b>	<b>97,116</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 66,321</u></b>	<b><u>\$ -</u></b>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>		
Operating income (loss) . . . . .	\$ 30,361	\$ (424,638)
Adjustments:		
Depreciation. . . . .	565	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Decrease) in Net pension liability . . . . .	(49,032)	-
(Increase) in Deferred outflows- SERS . . . . .	(5,556)	-
Decrease in Deferred outflows- STRS . . . . .	4,157	-
Increase in Deferred inflows- SERS . . . . .	12,082	-
Increase in Deferred inflows- STRS . . . . .	3,134	-
Increase in accrued wages and benefits . . . . .	99	-
Increase in intergovernmental payable . . . . .	4	-
Increase in compensated absences payable. . . . .	418	-
(Decrease) in pension obligation payable. . . . .	(659)	-
Increase in unearned revenue. . . . .	1,540	-
Increase in claims payable . . . . .	-	25,596
	<u>                    </u>	<u>                    </u>
Net cash used in operating activities. . . . .	<u>\$ (2,887)</u>	<u>\$ (399,042)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ -	\$ 57,999
Cash in segregated accounts. . . . .	23,270	-
Receivables:		
Accounts . . . . .	-	20
Total assets. . . . .	23,270	\$ 58,019
<b>Liabilities:</b>		
Pension obligation payable. . . . .	-	\$ 31
Intergovernmental payable . . . . .	-	5,651
Due to students. . . . .	-	52,337
Total liabilities . . . . .	-	\$ 58,019
<b>Net position:</b>		
Held in trust for scholarships . . . . .	23,270	
Total net position. . . . .	\$ 23,270	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 602
Gifts and contributions. . . . .	5,500
Total additions. . . . .	6,102
 <b>Deductions:</b>	
Scholarships awarded . . . . .	6,500
Change in net position . . . . .	(398)
<b>Net position at beginning of year. . . . .</b>	<b>23,668</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 23,270</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THIS PAGE INTENTIONALLY LEFT BLANK**

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District operates under a locally-elected five-member Board of Education (the Board) and provides educational services as authorized by state and/or federal agencies. The Board controls the District's four instructional/support facilities which are staffed by 62 classified, 108 certified teaching personnel and 11 administrators who provide services to 1,963 students and other community members.

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

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

**A. Reporting Entity**

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

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

*JOINTLY GOVERNED ORGANIZATION*

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

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2015, the District paid \$172,681 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

*INSURANCE PURCHASING POOLS*

Workers' Compensation Group Rating Plan

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

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

Ohio School Benefits Cooperative

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

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

*GROUP PURCHASING POOL*

Metropolitan Educational Council (MEC)

The District is a member of the Metropolitan Educational Council (MEC) purchasing group. The following items are purchased through this group discount program: custodial products, food service products, audio visual bulbs, and certain paper products. The MEC also provides a Self-Help Gas Program where members save significant amounts on natural gas purchases. The District paid MEC a total of \$704 in administrative fees during fiscal year 2015.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

*PROPRIETARY FUNDS*

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

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

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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



**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

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

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

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

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

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

**D. Basis of Accounting**

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

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

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

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

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated budget for all funds except agency funds. The specific timetable for fiscal year 2015 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2015.

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

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2015. The amounts reported in the budgetary statement reflect the original and final appropriations, including all amendments.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level, which is the legal level of control.

**F. Cash and Investments**

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

During fiscal year 2015, investments were limited to federal agency securities, negotiable certificates of deposit, State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Government money market fund and an open-ended mutual fund. Investments are reported at fair value, which is based on quoted market prices, with the following exceptions: participating investment contracts such as certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but 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 shares price which is the price the investment could be sold for on June 30, 2015.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal year 2015, interest revenue credited to the general fund amounted to \$45,923, which included \$18,463 assigned from other District funds.

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

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

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

**G. Inventory**

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

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

**H. Capital Assets**

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

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

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

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

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

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

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

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

**J. Compensated Absences**

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

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

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Fund Balance**

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

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

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

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

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

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

**M. Operating Revenues and Expenses**

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

**N. Net Position**

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

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

**O. Prepayments**

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



**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

**P. Estimates**

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

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2015, the District did not incur any transactions that would be classified as an extraordinary item or special item.

**S. Pensions**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 14 to the financial statements, and added required supplementary information which is presented on pages 69-75.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental and business-type activities at July 1, 2014 have been restated as follows:

	Governmental Activities	Business-Type Activities
Net position as previously reported	\$ 15,460,783	\$ 46,827
Deferred outflows - payments subsequent to measurement date	1,314,321	6,932
Net pension liability	(24,968,966)	(140,412)
Net position at July 1, 2014	\$ (8,193,862)	\$ (86,653)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

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

**B. Cash with Fiscal Agent**

At fiscal year-end, \$166,753 was held with fiscal agent for a lease agreement that was entered into during fiscal year 2015. This amount is included on the financial statements of the District as part of "cash with fiscal agent".

**C. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all District deposits was \$4,148,054. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$4,033,422 of the District's bank balance of \$5,063,096 was exposed to custodial risk as discussed below, while \$1,029,674 was covered by the FDIC.

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

**D. Investments**

As of June 30, 2015, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 249,928	\$ -	\$ -	\$ 249,928	\$ -	\$ -
FHLMC	499,605	-	-	-	-	499,605
FNMA	298,698	-	-	-	-	298,698
FHLB	99,745	-	-	-	-	99,745
Negotiable CDs	2,051,241	100,349	552,343	-	99,150	1,299,399
U.S. Government money market	1,674	1,674	-	-	-	-
STAR Ohio	17,408	17,408	-	-	-	-
Lincoln National annuity mutual fund	17,771	17,771	-	-	-	-
<b>Total</b>	<b>\$ 3,236,070</b>	<b>\$ 137,202</b>	<b>\$ 552,343</b>	<b>\$ 249,928</b>	<b>\$ 99,150</b>	<b>\$ 2,197,447</b>

The weighted average maturity of investments is 2.41 years.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

*Credit Risk:* The District's investments, except for STAR Ohio, the U.S. Government money market and the Lincoln National Annuity Mutual Fund were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market an AAAM money market rating and the Lincoln National Annuity Mutual Fund a AA- rating.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 249,928	7.72
FHLMC	499,605	15.44
FNMA	298,698	9.23
FHLB	99,745	3.08
Negotiable CDs	2,051,241	63.39
U.S. Government money market	1,674	0.05
STAR Ohio	17,408	0.54
Lincoln National annuity mutual fund	17,771	0.55
Total	<u>\$ 3,236,070</u>	<u>100.00</u>

**E. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,148,054
Investments	3,236,070
Cash with fiscal agent	166,753
Cash on hand	<u>500</u>
Total	<u>\$ 7,551,377</u>

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,403,787
Business-type activities	66,321
Private-purpose trust fund	23,270
Agency funds	<u>57,999</u>
Total	<u>\$ 7,551,377</u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Richland County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$1,918,297 in the general fund, \$246,420 in the debt service fund and \$54,707 in the permanent improvement fund (a nonmajor governmental fund). The amount available for advance at June 30, 2014 was \$1,428,736 in the general fund, \$190,534 in the debt service fund and \$41,229 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 5 - PROPERTY TAXES (Continued)**

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 270,124,830	97.01	\$ 270,950,370	96.82
Public utility personal	<u>8,319,850</u>	<u>2.99</u>	<u>8,901,830</u>	<u>3.18</u>
Total	<u>\$ 278,444,680</u>	<u>100.00</u>	<u>\$ 279,852,200</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$46.60		\$45.60	
Debt service	4.50		4.50	
Permanent improvement	1.00		1.00	

**NOTE 6 - INTERFUND TRANSACTIONS**

Interfund loans to/from other funds consisted of the following at June 30, 2015, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Internal service fund	<u>\$ 301,926</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2015 are reported on the statement of net position.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2015 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees) accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 7 – RECEIVABLES (Continued)**

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

**Governmental activities:**

Property taxes	\$ 10,490,858
Accounts	146
Intergovernmental	369,857
Accrued interest	4,504
Payments in lieu of taxes	<u>182,221</u>
 Total	 <u><u>\$ 11,047,586</u></u>

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

**NOTE 8 - PAYMENT IN LIEU OF TAXES**

The City of Ontario has entered into an agreement with a property owner under which the City granted property tax abatements to the property owner and agreed to construct certain infrastructure improvements. The property owner has agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. The District received \$98,312 in modified accrual revenue for payments in lieu of taxes during fiscal year 2015.



**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 9 - CAPITAL ASSETS**

**A. Governmental activities**

Capital asset activity for the governmental activities for the fiscal year ended June 30, 2015, was as follows:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2015</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 40,839	\$ -	\$ -	\$ 40,839
Total capital assets, not being depreciated	<u>40,839</u>	<u>-</u>	<u>-</u>	<u>40,839</u>
<i>Capital assets, being depreciated:</i>				
Land/improvements	1,076,830	473,044	-	1,549,874
Building/improvements	30,510,132	251,310	-	30,761,442
Furniture/equipment	2,621,138	319,390	(6,341)	2,934,187
Vehicles	1,594,639	116,161	(67,962)	1,642,838
Infrastructure	708,701	-	-	708,701
Total capital assets, being depreciated	<u>36,511,440</u>	<u>1,159,905</u>	<u>(74,303)</u>	<u>37,597,042</u>
<i>Less: accumulated depreciation</i>				
Land/improvements	(778,074)	(46,022)	-	(824,096)
Building/improvements	(10,186,493)	(595,147)	-	(10,781,640)
Furniture/equipment	(1,780,871)	(151,970)	6,341	(1,926,500)
Vehicles	(995,413)	(92,971)	54,778	(1,033,606)
Infrastructure	(202,038)	(14,878)	-	(216,916)
Total accumulated depreciation	<u>(13,942,889)</u>	<u>(900,988)</u>	<u>61,119</u>	<u>(14,782,758)</u>
Governmental activities capital assets, net	<u>\$ 22,609,390</u>	<u>\$ 258,917</u>	<u>\$ (13,184)</u>	<u>\$ 22,855,123</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 439,269
Special	21,615
Vocational	11,002

Support services:

Pupil	22,935
Instructional staff	62,232
Administration	30,186
Fiscal	2,750
Operations and maintenance	66,161
Pupil transportation	110,620

Operation of non-instructional services:

Other non-instructional services	3,973
Food service operations	45,652
Extracurricular activities	<u>84,593</u>
Total depreciation expense	<u>\$ 900,988</u>

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 9 - CAPITAL ASSETS - (Continued)**

**B. Business-Type Activities**

Capital asset activity for the business-type activities for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Land improvements	\$ 11,300	\$ -	\$ -	\$ 11,300
Less: accumulated depreciation	<u>(3,908)</u>	<u>(565)</u>	<u>-</u>	<u>(4,473)</u>
Business-type activities capital assets, net	<u>\$ 7,392</u>	<u>\$ (565)</u>	<u>\$ -</u>	<u>\$ 6,827</u>

**NOTE 10 - CAPITAL LEASES**

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

Capital assets consisting of equipment have been capitalized in the amount of \$235,508. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2015 totaled \$13,333 by the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2015.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 42,864
2017	38,998
2018	36,401
2019	36,400
2020	<u>36,402</u>
Total minimum lease payments	191,065
Less: amount representing interest	<u>(16,182)</u>
Total	<u>\$ 174,883</u>

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2015, the following activity occurred in governmental and business-type activities long-term obligations. The long-term obligations at June 30, 2014 have been restated as described in Note 3.A.

	Restated Balance Outstanding July 1, 2014	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding June 30, 2015	Amount Due in One Year
<b><u>Governmental activities:</u></b>					
<b><u>General obligation bonds:</u></b>					
Series 1999, Construction					
Current interest bonds	\$ 545,000	\$ -	\$ (45,000)	\$ 500,000	\$ 45,000
Series 2006, Refunding					
Current interest bonds	9,215,000	-	(85,000)	9,130,000	435,000
Series 2006, Refunding					
Capital appreciation bonds	74,996	-	-	74,996	-
Series 2006, Refunding					
Capital appreciation bonds					
Accreted interest	540,258	162,384	-	702,642	-
Series 2007, Refunding					
Current interest bonds	1,530,000	-	(920,000)	610,000	610,000
<b><u>Other long-term obligations:</u></b>					
<b>Capital leases:</b>					
Copier Leases	21,463	-	(13,333)	8,130	5,753
Network Equipment Lease	-	166,753	-	166,753	31,874
Energy Conservation note - FY12	1,105,000	-	(68,000)	1,037,000	71,000
Energy Conservation note - FY14	345,028	245,719	(38,537)	552,210	38,924
Tax Anticipation Note	-	485,000	-	485,000	97,000
Net pension liability	24,968,966	-	(3,931,612)	21,037,354	-
Compensated absences	1,232,053	-	(124,006)	1,108,047	83,200
<b>Total</b>	<b><u>\$ 39,577,764</u></b>	<b><u>\$ 1,059,856</u></b>	<b><u>\$ (5,225,488)</u></b>	<b>35,412,132</b>	<b><u>\$ 1,417,751</u></b>
Add: unamortized premiums				280,669	
<b>Total on statement of net position</b>				<b><u>\$ 35,692,801</u></b>	
<b><u>Business-Type Activities</u></b>					
Net pension liability	\$ 140,412	\$ 42,334	\$ (91,366)	\$ 91,380	\$ -
Compensated absences	12,208	418	-	12,626	12,626
<b>Total</b>	<b><u>\$ 152,620</u></b>	<b><u>\$ 42,752</u></b>	<b><u>\$ (91,366)</u></b>	<b><u>\$ 104,006</u></b>	<b><u>\$ 12,626</u></b>

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Net Pension Liability: See Note 14 for details.

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

Capital Leases: See Note 10 for detail on capital lease obligations.

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

During fiscal year 2007 and 2006, \$4,020,000 and \$10,000,000, respectively, of the current interest bonds were refunded. The capital appreciation bonds were not refunded. The balance of the refunded Series 1999 construction bonds at June 30, 2015 is \$74,996.

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

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

Fiscal	Current Interest Bonds		
Year Ended	Principal	Interest	Total
2016	\$ 45,000	\$ 25,666	\$ 70,666
2017	45,000	23,247	68,247
2018	50,000	20,694	70,694
2019	50,000	18,006	68,006
2020	55,000	15,184	70,184
2021 - 2024	255,000	28,153	283,153
Total	\$ 500,000	\$ 130,950	\$ 630,950

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

The refunding issue is comprised of both current interest bonds, par value \$9,925,000 and capital appreciation bonds, par value \$74,996. The interest rates on the current interest bonds range from 3.50% to 4.75%. The capital appreciation bonds mature December 1, 2016 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,105,000. Total accreted interest of \$702,642 has been included in the statement of net position.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

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

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 435,000	\$ 358,829	\$ 793,829	\$ -	\$ -	\$ -
2017	-	348,498	348,498	74,996	1,030,004	1,105,000
2018	1,100,000	326,498	1,426,498	-	-	-
2019	1,145,000	281,596	1,426,596	-	-	-
2020	1,190,000	234,898	1,424,898	-	-	-
2021 - 2024	<u>5,260,000</u>	<u>433,640</u>	<u>5,693,640</u>	-	-	-
						-
Total	<u>\$ 9,130,000</u>	<u>\$ 1,983,959</u>	<u>\$ 11,113,959</u>	<u>\$ 74,996</u>	<u>\$ 1,030,004</u>	<u>\$ 1,105,000</u>

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

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

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

The following is a summary of the future debt service requirements to maturity for the Series 2007 Refunding bonds:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2016	\$ 610,000	\$ 11,819	\$ 621,819
Total	<u>\$ 610,000</u>	<u>\$ 11,819</u>	<u>\$ 621,819</u>

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

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

The following is a description of the energy conservation notes payable at June 30, 2015:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>
Energy conservation notes	3.55%	12/15/11	12/01/26	\$ 1,105,000	\$ -	\$ (68,000)	\$ 1,037,000

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

<u>Fiscal Year Ended</u>	<u>Energy Conservation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 71,000	\$ 35,554	\$ 106,554
2017	74,000	32,980	106,980
2018	77,000	30,299	107,299
2019	80,000	27,512	107,512
2020	82,000	24,637	106,637
2021 - 2025	453,000	76,805	529,805
2026 - 2027	200,000	7,100	207,100
Total	<u>\$ 1,037,000</u>	<u>\$ 234,887</u>	<u>\$ 1,271,887</u>

- F. On April 10, 2014, the District entered into a House Bill 264 energy conservation note. As of June 30, 2015, the District had received \$590,747. The District can borrow up to \$598,230 at a 1% interest rate with a final maturity of December 1, 2028. An amortization schedule will be available when the loan is fully disbursed. Principal and interest payments are made from the general fund.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>
Energy conservation notes	1.00%	4/10/14	12/1/28	\$ 345,028	\$ 245,719	\$ (38,537)	\$ 552,210

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

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

Fiscal Year Ended	Tax Anticipation Notes		
	Principal	Interest	Total
2016	\$ 97,000	\$ 11,550	\$ 108,550
2017	97,000	9,095	106,095
2018	97,000	6,670	103,670
2019	97,000	4,246	101,246
2020	97,000	1,824	98,824
Total	<u>\$ 485,000</u>	<u>\$ 33,385</u>	<u>\$ 518,385</u>

**H. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$17,493,989 (including available funds of \$2,622,287) and an unvoted debt margin of \$279,852.

**NOTE 12 - COMPENSATED ABSENCES**

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 13 - RISK MANAGEMENT**

**A. Property, Fleet, and Liability Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2015, the District contracted with Catlin Indemnity Company for property insurance coverage in the blanket amount of \$72,090,583 with agreed amount, 100% coinsurance, replacement cost endorsement and a \$2,500 deductible. Boiler and machinery coverage is also provided with blanket coverage in the amount of \$72,090,583 with a \$2,500 deductible. The District inland marine coverage amount is \$100,000 for miscellaneous property and \$472,294 for audio/visual equipment.

Vehicles are covered by Catlin Indemnity Company and hold a \$500 deductible for comprehensive and \$500 collision. Automobile liability has a \$1,000,000 combined single limit of liability. An umbrella liability coverage is provided above the above stated base liability coverage for general and fleet liability in the amount of \$10,000,000.

Catlin Indemnity Company also provides general liability coverage with a \$1,000,000 single occurrence limit and no deductible. The umbrella liability coverage does apply to this coverage.

Catlin Indemnity Company provides school leaders errors and omissions liability coverage with a \$1,000,000 aggregate and a \$2,500 deductible. The umbrella liability coverage does apply to this coverage.

Catlin Indemnity Company provides employee benefits liability coverage on a claims made policy with a \$1,000,000 claim limit and \$3,000,000 aggregate limit with a \$1,000 deductible. The umbrella liability coverage does apply to this coverage.

Catlin Indemnity Company also provides sexual misconduct and molestation coverage on an occurrence form with \$1,000,000 limit and no deductible and provides employers' liability coverage in the amount of \$1,000,000 limit with a \$2,000,000 aggregate with a \$1,000 deductible. The umbrella liability coverage does apply to both of the above coverages.

Catlin Indemnity Company provides school law enforcement liability coverage on a claims made form with \$1,000,000 limit with a \$2,500 deductible.

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

Settled claims have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

**B. Employee Dishonesty Bonds**

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



**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 13 - RISK MANAGEMENT - (Continued)**

**C. Worker's Compensation Group Retrospective Rating Plan**

For calendar year 2015, the District participated in the Worker's Compensation Group Retrospective Rating Plan sponsored by the Lima/Allen County Chamber of Commerce, a voluntary performance-based incentive program. The intent of the program is to reward participants that are able to keep their claims cost low. Districts continue to pay their individual premium directly to the Ohio Bureau of Workers' Compensation (BWC). Districts will then wave future premium adjustments (refunds or assessments) at the end of each of the three evaluation periods. For the 2015 program, the evaluation periods will be January 2016 and January 2017. Refunds or assessments will be calculated by the Ohio BWC, based on the pro-rata share of the districts individual premium compared to the overall program premium.

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

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

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

The District has elected to provide a comprehensive medical benefits package to the employees through a self-insured program. This package provides a comprehensive medical plan with a \$300 single and \$600 family deductible. Included in the plan is a prescription drug card with a \$10 per prescription copay for generic drugs, a \$25 per prescription copay for formulary drugs and a \$40 per prescription copay for brand drugs. The medical and prescription drug card plan are administered by Medical Mutual of Ohio located in Cleveland, Ohio. The total monthly premium paid for the medical and prescription drug plan is \$602.95 for single coverage and \$1,626.44 for family coverage. The District portion of the monthly premium is \$534.42 for single coverage and \$1,435.78 for family coverage which is paid out of the same fund that pays the salary for the employee. Through negotiations, the District's amounts are capped at 90% of premium increases up to the current trend increase. Any increase above the trend is the employee's responsibility. The employee monthly portion of the premium is \$68.53 for single coverage and \$190.66 for family coverage which is withheld from their biweekly payroll.

The District provides dental coverage for its employees on a self-insured basis through Medical Mutual of Ohio. The total monthly premium is \$30.17 for single and \$81.40 for family coverage. The District's portion of the monthly premium is \$17.16 for single and \$51.43 for family coverage. These amounts are also capped at 65% of premium increases up to the current trend increase with any increase above the trend being the employee's responsibility. The employee portion of the monthly premium is \$13.01 for single and \$29.97 for family coverage which is withheld from their biweekly payroll.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 13 - RISK MANAGEMENT - (Continued)**

The District also provides vision coverage for its employees on a self-insured basis through Medical Mutual of Ohio. The total monthly premium is \$4.31 for single coverage and \$11.64 for family coverage. The District's portion of the monthly premium is \$0.00 for single coverage and \$1.11 for family coverage. These amounts are capped at 48% of premium increases. The employee portion of the monthly premium is \$4.31 for single coverage and \$10.53 for family coverage which is withheld from their biweekly payroll.

The above employee portions of premiums for medical, dental and vision insurance are for full-time employees. The employee portion for part-time employees is above double for employees who work more than 20 hours, but less than 30.1 hours. For part-time employees who work less than 20 hours a week, the employee portion is more than triple. Effective July 1, 2006, new employees who work 20 hours or less per week are not eligible for insurance coverage.

As of June 1, 2014, the District became self-insured through Medical Mutual of Ohio. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. For July 2015, a total expense of \$338,133 was incurred in administrative costs. The liability for unpaid claims of \$121,596 reported at June 30, 2015 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling claims.

Changes in the fund's claims liability amount was:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2015	\$ 96,000	\$ 2,124,110	\$ (2,098,514)	\$ 121,596
2014	-	130,770	(34,770)	96,000

**NOTE 14 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

***Plan Description - School Employees Retirement System (SERS)***

Plan Description –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.

Age and service requirements for retirement are as follows:

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

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$318,955 for fiscal year 2015. Of this amount \$25,382 is reported as pension obligation payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – 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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,059,399 for fiscal year 2015. Of this amount, \$175,192 is reported as pension obligation payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,648,535	\$17,480,199	\$21,128,734
Proportion of the Net Pension Liability	0.07209200%	0.07186559%	
Pension Expense	\$215,848	\$751,494	\$967,342

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$31,053	\$168,285	\$199,338
District contributions subsequent to the measurement date	<u>318,955</u>	<u>1,059,399</u>	<u>1,378,354</u>
Total Deferred Outflows of Resources	<u>\$350,008</u>	<u>\$1,227,684</u>	<u>\$1,577,692</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$592,168</u>	<u>\$3,233,903</u>	<u>\$3,826,071</u>
Total Deferred Inflows of Resources	<u>\$592,168</u>	<u>\$3,233,903</u>	<u>\$3,826,071</u>

\$1,378,354 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$140,279)	(\$766,405)	(\$906,684)
2017	(140,279)	(766,405)	(906,684)
2018	(140,279)	(766,405)	(906,684)
2019	<u>(140,278)</u>	<u>(766,403)</u>	<u>(906,681)</u>
Total	<u>(\$561,115)</u>	<u>(\$3,065,618)</u>	<u>(\$3,626,733)</u>

**Actuarial Assumptions - SERS**

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, 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 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease █ (6.75%)	Current █ Discount Rate (7.75%)	1% Increase █ (8.75%)
District's proportionate share of the net pension liability	\$5,205,375	\$3,648,535	\$2,339,098

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.



**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. 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, 2014.

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

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
District's proportionate share of the net pension liability	\$25,024,810	\$17,480,199	\$11,099,996

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](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 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$37,311.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$52,326, \$34,496, and \$29,360, respectively. For fiscal year 2015, 92.04 percent has been contributed, with the balance being reported as pension obligation payable. The full amount has been contributed for fiscal years 2014 and 2013.

**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.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 15 - POSTEMPLOYMENT BENEFITS (Continued)**

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 2015, STRS did not allocate any employer contributions to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$76,133, and \$74,818 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (81,087)
Net adjustment for revenue accruals	492,252
Net adjustment for expenditure accruals	114,299
Net adjustment for other sources/uses	255,082
Funds budgeted elsewhere **	5,985
Adjustment for encumbrances	1,955
GAAP basis	\$ 788,486

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

**NOTE 17 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. School Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 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 District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 18 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into the capital improvement reserve. This reserve is calculated and presented on a cash basis. During the fiscal year ended June 30, 2015, the reserve activity was as follows:

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2014	\$ -
Current year set-aside requirement	328,516
Current year qualifying expenditures	(562,420)
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (233,904)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside reserve balance June 30, 2015	<u>\$ -</u>

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

**NOTE 19 – SIGNIFICANT SUBSEQUENT EVENT**

On September 3, 2015, the District issued \$8,580,000 in school improvement general obligation refunding bonds. The refunded bonds bear interest at rates ranging from 2.00%-3.00% and are scheduled to mature on December 1, 2023.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST TWO FISCAL YEARS**

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

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

Note: Information prior to fiscal year 2013 was unavailable.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST TWO FISCAL YEARS**

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

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

Note: Information prior to fiscal year 2013 was unavailable.



**THIS PAGE INTENTIONALLY LEFT BLANK**

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST TEN FISCAL YEARS**

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST TEN FISCAL YEARS**

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

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

ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY

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

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

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

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed through the Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 55,108	\$ 55,108
Cash Assistance:			
School Breakfast Program	10.553	83,474	83,474
National School Lunch Program	10.555	300,914	300,914
Total Child Nutrition Cluster		<u>439,496</u>	<u>439,496</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b><u>439,496</u></b>	<b><u>439,496</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed through the Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	196,154	191,558
Special Education-Grants to States	84.027	288,040	282,541
Improving Teacher Quality State Grants	84.367	<u>31,466</u>	<u>31,466</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b><u>515,660</u></b>	<b><u>505,565</u></b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<b><u>\$ 955,156</u></b>	<b><u>\$ 945,061</u></b>

*The Notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this schedule.*

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Ontario Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ontario Local School District, Richland County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 28, 2015, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

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

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

December 28, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

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

We have audited the Ontario Local School District's, Richland County, Ohio (the District's), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

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

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

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

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, Ontario Local School District, Richland County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

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

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



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

December 28, 2015

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA #84.027 – Special Education Grants to States
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**ONTARIO LOCAL SCHOOL DISTRICT**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 2, 2016**