



Dave Yost • Auditor of State



**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ontario Local School District, Richland County, Ohio (the District), as of and for the year ended June 30, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 September 10, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

September 10, 2014

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**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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, 2014. 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 2014 are as follows:

- In total, net position increased \$339,537. Net position of governmental activities increased \$334,646, which represents a 2.21% increase from 2013. Net position of business-type activities increased \$4,891 or 11.66% from 2013.
- General revenues accounted for \$14,839,818 in revenue or 77.61% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$4,280,028 or 22.39% of total governmental activities revenues of \$19,119,846.
- The District had \$18,785,200 in expenses related to governmental activities; only \$4,280,028 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 \$14,839,818 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 \$15,548,118 in revenues and other financing sources, and \$15,941,828 in expenditures. The fund balance of the general fund decreased from a balance of \$4,461,449 to \$4,063,752.
- The District's other major governmental fund is the debt service fund. The debt service fund had \$1,480,426 in revenues and \$1,516,991 in expenditures. The fund balance of the debt service fund decreased from \$2,583,281 to \$2,546,716.

**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, 2014  
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 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* except for fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

***Governmental Funds***

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

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 20-24 of this report.

***Proprietary Fund***

There are two types of proprietary funds: enterprise funds and internal service funds. The enterprise funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee benefits self-insurance. The proprietary fund financial statements can be found on pages 25-27 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 28 and 29. 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 31-65 of this report.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**The District as a Whole**

Recall that 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 for 2014 and 2013.

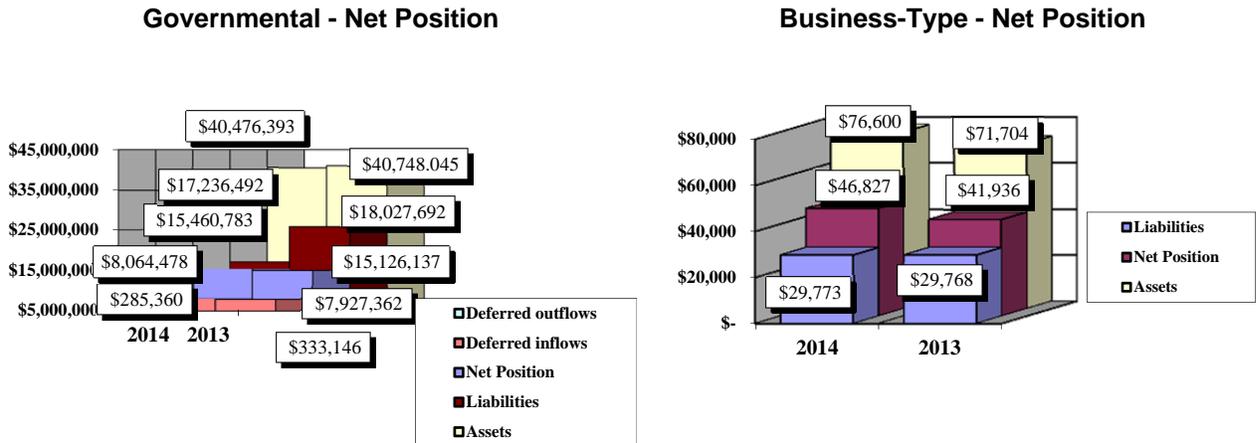
	<b>Net Position</b>					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b><u>Assets</u></b>						
Current assets	\$ 17,867,003	\$ 18,151,749	\$ 69,208	\$ 63,747	\$ 17,936,211	\$ 18,215,496
Capital assets, net	<u>22,609,390</u>	<u>22,596,296</u>	<u>7,392</u>	<u>7,957</u>	<u>22,616,782</u>	<u>22,604,253</u>
Total assets	<u>40,476,393</u>	<u>40,748,045</u>	<u>76,600</u>	<u>71,704</u>	<u>40,552,993</u>	<u>40,819,749</u>
<b><u>Deferred outflows of resources</u></b>						
Unamortized deferred charges on debt refunding	<u>285,360</u>	<u>333,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>333,146</u>
Total deferred outflows of resources	<u>285,360</u>	<u>333,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>333,146</u>
<b><u>Liabilities</u></b>						
Current liabilities	2,283,347	2,283,091	17,565	17,925	2,300,912	2,301,016
Long-term liabilities	<u>14,953,145</u>	<u>15,744,601</u>	<u>12,208</u>	<u>11,843</u>	<u>14,965,353</u>	<u>15,756,444</u>
Total liabilities	<u>17,236,492</u>	<u>18,027,692</u>	<u>29,773</u>	<u>29,768</u>	<u>17,266,265</u>	<u>18,057,460</u>
<b><u>Deferred inflows of resources</u></b>						
Property taxes levied for the next fiscal year	8,016,166	7,875,550	-	-	8,016,166	7,875,550
PILOTS levied for the next fiscal year	<u>48,312</u>	<u>51,812</u>	<u>-</u>	<u>-</u>	<u>48,312</u>	<u>51,812</u>
Total deferred inflows of resources	<u>8,064,478</u>	<u>7,927,362</u>	<u>-</u>	<u>-</u>	<u>8,064,478</u>	<u>7,927,362</u>
<b><u>Net Position</u></b>						
Net investment in capital assets	9,713,916	8,941,617	7,392	7,957	9,721,308	8,949,574
Restricted	2,239,340	2,371,979	-	-	2,239,340	2,371,979
Unrestricted	<u>3,507,527</u>	<u>3,812,541</u>	<u>39,435</u>	<u>33,979</u>	<u>3,546,962</u>	<u>3,846,520</u>
Total net position	<u>\$ 15,460,783</u>	<u>\$ 15,126,137</u>	<u>\$ 46,827</u>	<u>\$ 41,936</u>	<u>\$ 15,507,610</u>	<u>\$ 15,168,073</u>

Total governmental activities net position increased by \$334,646.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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The graph below shows the District's assets, liabilities and net position at June 30, 2014 and 2013.



The table below shows the changes in net position for fiscal years 2014 and 2013.

	<b>Change in Net Position</b>					
	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 2,867,631	\$ 2,306,859	\$ 83,115	\$ 82,830	\$ 2,950,746	\$ 2,389,689
Operating grants and contributions	1,412,397	980,994	-	-	1,412,397	980,994
Capital grants and contributions	-	2,988	-	-	-	2,988
General revenues:						
Property taxes	9,491,051	10,125,547	-	-	9,491,051	10,125,547
Payments in lieu of taxes	51,812	50,312	-	-	51,812	50,312
Grants and entitlements not restricted	5,165,030	5,283,824	-	-	5,165,030	5,283,824
Investment earnings	49,056	22,852	-	-	49,056	22,852
Miscellaneous	82,869	100,132	-	-	82,869	100,132
<b>Total revenues</b>	<b>19,119,846</b>	<b>18,873,508</b>	<b>83,115</b>	<b>82,830</b>	<b>19,202,961</b>	<b>18,956,338</b>

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>Expenses</b>						
Program expenses:						
Instruction:						
Regular	\$ 7,749,518	\$ 7,419,464	\$ -	\$ -	\$ 7,749,518	\$ 7,419,464
Special	1,910,521	1,578,462	-	-	1,910,521	1,578,462
Vocational	281,380	255,307	-	-	281,380	255,307
Other	568,089	488,756	-	-	568,089	488,756
Support services:						
Pupil	1,000,268	961,489	-	-	1,000,268	961,489
Instructional staff	706,150	940,927	-	-	706,150	940,927
Board of education	83,482	51,149	-	-	83,482	51,149
Administration	1,276,949	1,323,873	-	-	1,276,949	1,323,873
Fiscal	594,871	535,165	-	-	594,871	535,165
Operations and maintenance	1,648,645	1,713,893	-	-	1,648,645	1,713,893
Pupil transportation	825,919	908,354	-	-	825,919	908,354
Central	19,568	59,046	-	-	19,568	59,046
Operation of non-instructional services:						
Food service operations	825,845	845,590	-	-	825,845	845,590
Other non-instructional services	3,750	6,377	-	-	3,750	6,377
Extracurricular activities	656,984	837,604	-	-	656,984	837,604
Interest and fiscal charges	633,261	645,636	-	-	633,261	645,636
Preschool/latchkey	-	-	78,224	76,216	78,224	76,216
Total expenses	<u>18,785,200</u>	<u>18,571,092</u>	<u>78,224</u>	<u>76,216</u>	<u>18,863,424</u>	<u>18,647,308</u>
Changes in net position	334,646	302,416	4,891	6,614	339,537	309,030
Net position at beginning of year	<u>15,126,137</u>	<u>14,823,721</u>	<u>41,936</u>	<u>35,322</u>	<u>15,168,073</u>	<u>14,859,043</u>
Net position at end of year	<u>\$ 15,460,783</u>	<u>\$ 15,126,137</u>	<u>\$ 46,827</u>	<u>\$ 41,936</u>	<u>\$ 15,507,610</u>	<u>\$ 15,168,073</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$334,646. Total governmental expenses of \$18,785,200 were offset by program revenues of \$4,280,028, and general revenues of \$14,839,818. Program revenues supported 22.78% of the total governmental expenses.

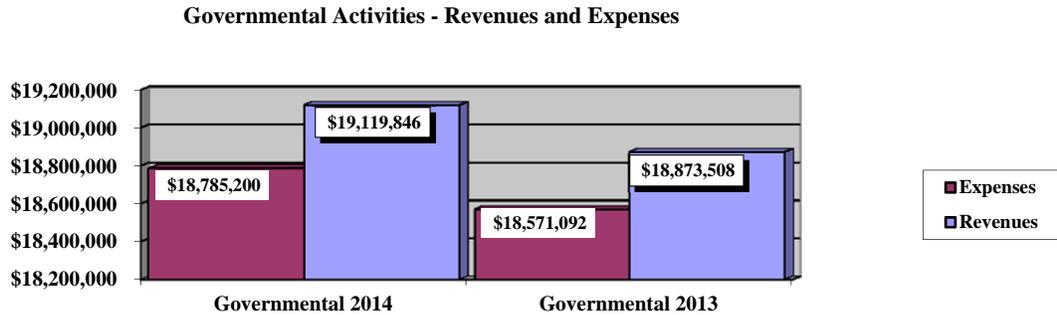
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 76.66% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,509,508 or 55.95% of total governmental expenses for fiscal year 2014.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013.



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 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

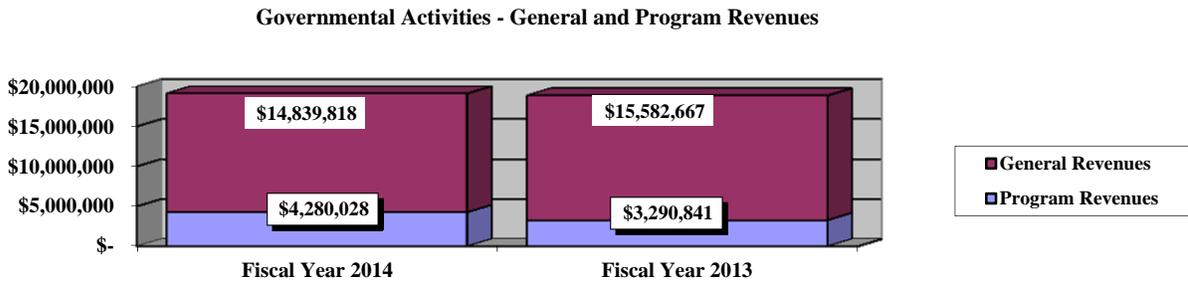
	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Program expenses:				
Instruction:				
Regular	\$ 7,749,518	\$ 5,573,271	\$ 7,419,464	\$ 5,854,714
Special	1,910,521	1,076,311	1,578,462	1,165,702
Vocational	281,380	260,753	255,307	235,746
Other	568,089	568,089	488,756	488,756
Support services:				
Pupil	\$ 1,000,268	\$ 931,695	\$ 961,489	\$ 906,878
Instructional staff	706,150	682,363	940,927	886,596
Board of education	83,482	83,482	51,149	51,149
Administration	1,276,949	1,274,623	1,323,873	1,323,873
Fiscal	594,871	594,871	535,165	535,165
Operations and maintenance	1,648,645	1,639,134	1,713,893	1,700,307
Pupil transportation	825,919	797,443	908,354	879,878
Central	19,568	19,568	59,046	59,046
Operation of non-instructional services:				
Food service operations	825,845	(10,074)	845,590	2,518
Other non-instructional services	3,750	3,750	6,377	3,752
Extracurricular activities	656,984	376,632	837,604	540,535
Interest and fiscal charges	633,261	633,261	645,636	645,636
<b>Total expenses</b>	<b><u>\$ 18,785,200</u></b>	<b><u>\$ 14,505,172</u></b>	<b><u>\$ 18,571,092</u></b>	<b><u>\$ 15,280,251</u></b>

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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The dependence upon tax revenues during fiscal year 2014 for governmental activities is apparent, as 77.22% of 2014 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 2014 and 2013.



**Business-Type Activities**

Business-type activities include preschool/latchkey operations. These programs had revenues of \$83,115 and expenses of \$78,224 for fiscal year 2014. 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 \$6,760,241, which is \$480,401 less than last year's total of \$7,240,642. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase <u>(Decrease)</u>
General	\$ 4,063,752	\$ 4,461,449	\$ (397,697)
Debt Service	2,546,716	2,583,281	(36,565)
Other governmental	<u>149,773</u>	<u>195,912</u>	<u>(46,139)</u>
Total	<u>\$ 6,760,241</u>	<u>\$ 7,240,642</u>	<u>\$ (480,401)</u>

**General Fund**

The District's general fund balance decreased \$397,697 during fiscal year 2014. The table that follows assists in illustrating the revenues of the general fund.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 8,189,823	\$ 8,790,638	(6.83) %
Intergovernmental	5,130,946	4,809,044	6.69 %
Other revenues	<u>2,215,955</u>	<u>1,755,607</u>	26.22 %
 Total	 <u>\$ 15,536,724</u>	 <u>\$ 15,355,289</u>	 1.18 %

Tax revenue decreased by \$600,815 or 6.83% from fiscal year 2013, partially due to a decrease of \$312,827 in the amount of taxes available for advance, which is determined by timing of the tax bills sent by the County auditor. Other revenue increased \$60,348 or 26.22%, primarily due to an increase in tuition revenue of \$417,968 due to open enrollment.

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
Instruction	\$ 9,483,225	\$ 8,902,622	6.52 %
Support services	5,887,740	6,017,976	(2.16) %
Extracurricular activities	331,238	501,443	(33.94) %
Debt service	122,066	123,055	(0.80) %
Capital outlay	<u>117,559</u>	<u>-</u>	100.00 %
 Total	 <u>\$ 15,941,828</u>	 <u>\$ 15,545,096</u>	 2.55 %

Instruction expenditures remained relatively consistent with 2014 experiencing increases primarily attributable to anticipated salary/wage increases. The increase in capital outlay was due to capital expenditures made in fiscal year 2014.

***Debt Service Fund***

The District's other major governmental fund is the debt service fund. The debt service fund had \$1,480,426 in revenues and \$1,516,991 in expenditures. The fund balance of the debt service fund decreased \$36,565 from \$2,583,281 to \$2,546,716.

***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 2014, 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.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

For the general fund, final budgeted revenues and other financing sources were \$79,880 below actual revenues and other financing sources of \$15,812,686. The original budgeted revenues and other financing sources were \$250,525 lower than final budgeted revenues and other financing sources.

General fund final appropriations and other financing uses were \$16,295,689. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$16,022,621, which was \$273,068 less than the final budget appropriations. The final appropriations were \$445,677 greater than the original appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the District had \$22,616,782 invested in land, land/improvements, buildings/improvements, furniture/equipment, vehicles, and infrastructure. \$22,609,390 was reported in the governmental activities and \$7,392 was reported in the business-type activities. The following table shows fiscal year 2014 balances compared to 2013:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 40,839	\$ 40,839	\$ -	\$ -	\$ 40,839	\$ 40,839
Land/improvements	298,756	335,248	7,392	7,957	306,148	343,205
Building/improvements	20,323,639	20,395,564	-	-	20,323,639	20,395,564
Furniture/equipment	840,267	698,958	-	-	840,267	698,958
Vehicles	599,226	604,147	-	-	599,226	604,147
Infrastructure	<u>506,663</u>	<u>521,540</u>	<u>-</u>	<u>-</u>	<u>506,663</u>	<u>521,540</u>
Total	<u>\$ 22,609,390</u>	<u>\$ 22,596,296</u>	<u>\$ 7,392</u>	<u>\$ 7,957</u>	<u>\$ 22,616,782</u>	<u>\$ 22,604,253</u>

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

***Debt Administration***

At June 30, 2014 the District had \$13,376,745 in general obligation bonds, capital leases, 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, \$1,169,870 is due within one year and \$12,206,875 is due in more than one year. The table on the following page summarizes the bonds, leases, and notes outstanding:

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Outstanding Debt, at June 30**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Current interest bonds	\$ 11,290,000	\$ 12,300,000
Capital appreciation bonds	74,996	74,996
Capital appreciation bonds - accreted interest	540,258	411,782
Capital leases	21,463	33,804
Energy conservation notes	<u>1,450,028</u>	<u>1,171,000</u>
Total	<u>\$ 13,376,745</u>	<u>\$ 13,991,582</u>

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**

As anticipated, the District did experience a reduction in the general fund balance due to increased maintenance and special education costs. In fiscal year 2014 the District saw an increase of \$370,000 from additional open enrollment students. Open enrollment remains the key in somewhat stabilizing the District's current financial situation.

The District anticipates revenues to exceed expenditures the next two years due to State increases and additional open enrollment students. The District continues to look for ways to reduce expenditures through attrition. The most important factors going forward for the District's finances are to what extent will the State fund its new 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, Mansfield, Ohio 44906-1029.

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**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**STATEMENT OF NET POSITION  
JUNE 30, 2014**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 6,999,276	\$ 69,208	\$ 7,068,484
Receivables:			
Property taxes . . . . .	10,197,947	-	10,197,947
Payment in lieu of taxes . . . . .	48,312	-	48,312
Accounts. . . . .	180	-	180
Accrued interest . . . . .	5,167	-	5,167
Intergovernmental . . . . .	403,446	-	403,446
Prepayments . . . . .	2,511	-	2,511
Materials and supplies inventory. . . . .	210,164	-	210,164
Capital assets:			
Nondepreciable capital assets . . . . .	40,839	-	40,839
Depreciable capital assets, net. . . . .	22,568,551	7,392	22,575,943
Capital assets, net . . . . .	<u>22,609,390</u>	<u>7,392</u>	<u>22,616,782</u>
Total assets. . . . .	<u>40,476,393</u>	<u>76,600</u>	<u>40,552,993</u>
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refunding . . . . .	285,360	-	285,360
Total deferred outflows of resources . . . . .	<u>285,360</u>	<u>-</u>	<u>285,360</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	110,688	-	110,688
Accrued wages and benefits payable . . . . .	1,698,080	7,782	1,705,862
Pension obligation payable. . . . .	275,662	2,372	278,034
Intergovernmental payable . . . . .	68,021	296	68,317
Accrued interest payable . . . . .	34,896	-	34,896
Claims payable. . . . .	96,000	-	96,000
Unearned revenue . . . . .	-	7,115	7,115
Long-term liabilities:			
Due within one year. . . . .	1,287,519	-	1,287,519
Due in more than one year. . . . .	13,665,626	12,208	13,677,834
Total liabilities . . . . .	<u>17,236,492</u>	<u>29,773</u>	<u>17,266,265</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	8,016,166	-	8,016,166
PILOTS levied for the next fiscal year. . . . .	48,312	-	48,312
Total deferred inflows of resources . . . . .	<u>8,064,478</u>	<u>-</u>	<u>8,064,478</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	9,713,916	7,392	9,721,308
Restricted for:			
Capital projects . . . . .	56,357	-	56,357
Debt service. . . . .	2,031,377	-	2,031,377
Student activities . . . . .	62,939	-	62,939
Other purposes . . . . .	88,667	-	88,667
Unrestricted. . . . .	3,507,527	39,435	3,546,962
Total net position. . . . .	<u>\$ 15,460,783</u>	<u>\$ 46,827</u>	<u>\$ 15,507,610</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, 2014

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental activities:</b>			
Instruction:			
Regular . . . . .	\$ 7,749,518	\$ 2,125,980	\$ 50,267
Special . . . . .	1,910,521	-	834,210
Vocational . . . . .	281,380	-	20,627
Other . . . . .	568,089	-	-
Support services:			
Pupil . . . . .	1,000,268	59,301	9,272
Instructional staff . . . . .	706,150	-	23,787
Board of education . . . . .	83,482	-	-
Administration . . . . .	1,276,949	-	2,326
Fiscal . . . . .	594,871	-	-
Operations and maintenance . . . . .	1,648,645	9,511	-
Pupil transportation . . . . .	825,919	-	28,476
Central . . . . .	19,568	-	-
Operation of non-instructional services:			
Other non-instructional services . . . . .	3,750	-	-
Food service operations . . . . .	825,845	401,179	434,740
Extracurricular activities . . . . .	656,984	271,660	8,692
Interest and fiscal charges . . . . .	633,261	-	-
<b>Total governmental activities . . . . .</b>	<b>18,785,200</b>	<b>2,867,631</b>	<b>1,412,397</b>
<b>Business-type activities:</b>			
Preschool/latchkey . . . . .	78,224	83,115	-
<b>Total business-type activities . . . . .</b>	<b>78,224</b>	<b>83,115</b>	<b>-</b>
<b>Totals . . . . .</b>	<b>\$ 18,863,424</b>	<b>\$ 2,950,746</b>	<b>\$ 1,412,397</b>

**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 . . . . .	
<b>Total general revenues . . . . .</b>	
Change in net position . . . . .	
<b>Net position at beginning of year . . . . .</b>	
<b>Net position at end of year . . . . .</b>	

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>
\$	(5,573,271)	\$	-	\$ (5,573,271)
	(1,076,311)		-	(1,076,311)
	(260,753)		-	(260,753)
	(568,089)		-	(568,089)
	(931,695)		-	(931,695)
	(682,363)		-	(682,363)
	(83,482)		-	(83,482)
	(1,274,623)		-	(1,274,623)
	(594,871)		-	(594,871)
	(1,639,134)		-	(1,639,134)
	(797,443)		-	(797,443)
	(19,568)		-	(19,568)
	(3,750)		-	(3,750)
	10,074		-	10,074
	(376,632)		-	(376,632)
	(633,261)		-	(633,261)
	(14,505,172)		-	(14,505,172)
	-	4,891		4,891
	-	4,891		4,891
	(14,505,172)	4,891		(14,500,281)
	8,191,078	-		8,191,078
	1,063,822	-		1,063,822
	236,151	-		236,151
	51,812	-		51,812
	5,165,030	-		5,165,030
	49,056	-		49,056
	82,869	-		82,869
	14,839,818	-		14,839,818
	334,646	4,891		339,537
	15,126,137	41,936		15,168,073
\$	15,460,783	\$	46,827	\$ 15,507,610

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<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. . . . .	\$ 4,301,425	\$ 2,356,182	\$ 244,553	\$ 6,902,160
Receivables:				
Property taxes. . . . .	8,774,573	1,170,165	253,209	10,197,947
Payment in lieu of taxes . . . . .	48,312	-	-	48,312
Accounts . . . . .	180	-	-	180
Accrued interest . . . . .	5,167	-	-	5,167
Intergovernmental. . . . .	338,217	-	65,229	403,446
Prepayments. . . . .	2,511	-	-	2,511
Materials and supplies inventory. . . . .	197,114	-	13,050	210,164
Due from other funds . . . . .	73,518	-	-	73,518
Total assets . . . . .	<u>\$ 13,741,017</u>	<u>\$ 3,526,347</u>	<u>\$ 576,041</u>	<u>\$ 17,843,405</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 110,642	\$ -	\$ 46	\$ 110,688
Accrued wages and benefits payable . . . . .	1,591,113	-	106,967	1,698,080
Compensated absences payable . . . . .	61,845	-	240	62,085
Intergovernmental payable . . . . .	63,748	-	4,273	68,021
Pension obligation payable . . . . .	246,418	-	29,244	275,662
Due to other funds . . . . .	-	-	73,518	73,518
Total liabilities. . . . .	<u>2,073,766</u>	<u>-</u>	<u>214,288</u>	<u>2,288,054</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	6,897,313	919,816	199,037	8,016,166
Delinquent property tax revenue not available. . . . .	448,524	59,815	12,943	521,282
Accrued interest not available. . . . .	3,294	-	-	3,294
Miscellaneous revenue not available. . . . .	206,056	-	-	206,056
PILOTS levied for the next fiscal year. . . . .	48,312	-	-	48,312
Total deferred inflows of resources . . . . .	<u>7,603,499</u>	<u>979,631</u>	<u>211,980</u>	<u>8,795,110</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	197,114	-	13,050	210,164
Prepays. . . . .	2,511	-	-	2,511
Restricted:				
Debt service . . . . .	-	2,546,716	-	2,546,716
Capital improvements . . . . .	-	-	43,414	43,414
Food service operations . . . . .	-	-	102,350	102,350
Special education . . . . .	-	-	344	344
Targeted academic assistance . . . . .	-	-	1,194	1,194
Extracurricular. . . . .	-	-	62,939	62,939
Assigned:				
Student and staff support. . . . .	48,188	-	-	48,188
School supplies. . . . .	2,996	-	-	2,996
Subsequent year appropriations . . . . .	361,133	-	-	361,133
Unassigned (deficit). . . . .	3,451,810	-	(73,518)	3,378,292
Total fund balances . . . . .	<u>4,063,752</u>	<u>2,546,716</u>	<u>149,773</u>	<u>6,760,241</u>
Total liabilities, deferred outflows and fund balances . . . . .	<u>\$ 13,741,017</u>	<u>\$ 3,526,347</u>	<u>\$ 576,041</u>	<u>\$ 17,843,405</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014**

<b>Total governmental fund balances</b>		<b>\$ 6,760,241</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.		22,609,390
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 521,282	
Accrued interest receivable	3,294	
Intergovernmental receivable	206,056	
Total	730,632	730,632
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.		1,116
Unamortized premiums on bonds issued are not recognized in the funds.		(344,347)
Unamortized amounts on refundings are not recognized in the funds.		285,360
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(34,896)
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	(11,905,254)	
Capital lease obligations	(21,463)	
Compensated absences	(1,169,968)	
Notes payable	(1,450,028)	
Total	(14,546,713)	(14,546,713)
<b>Net position of governmental activities</b>		<b>\$ 15,460,783</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, 2014**

	<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 . . . . .	\$ 8,189,823	\$ 1,063,352	\$ 236,149	\$ 9,489,324
Payment in lieu of taxes . . . . .	51,812	-	-	51,812
Tuition . . . . .	1,771,811	-	-	1,771,811
Earnings on investments . . . . .	47,881	-	24	47,905
Charges for services . . . . .	-	-	401,179	401,179
Extracurricular . . . . .	31,011	-	268,593	299,604
Classroom materials and fees . . . . .	208,224	-	-	208,224
Rental income . . . . .	9,511	-	-	9,511
Contributions and donations . . . . .	20,015	-	15,710	35,725
Other local revenues . . . . .	75,690	-	3,067	78,757
Intergovernmental - state . . . . .	5,079,063	417,074	80,800	5,576,937
Intergovernmental - federal . . . . .	51,883	-	920,037	971,920
<b>Total revenues . . . . .</b>	<b>15,536,724</b>	<b>1,480,426</b>	<b>1,925,559</b>	<b>18,942,709</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,196,016	-	138,527	7,334,543
Special . . . . .	1,453,400	-	429,683	1,883,083
Vocational . . . . .	265,720	-	-	265,720
Other . . . . .	568,089	-	-	568,089
Support services:				
Pupil . . . . .	963,635	-	9,263	972,898
Instructional staff . . . . .	615,742	-	23,649	639,391
Board of education . . . . .	83,482	-	-	83,482
Administration . . . . .	1,320,377	-	2,324	1,322,701
Fiscal . . . . .	559,102	26,034	5,564	590,700
Operations and maintenance . . . . .	1,606,054	-	-	1,606,054
Pupil transportation . . . . .	719,780	-	87,038	806,818
Central . . . . .	19,568	-	-	19,568
Operation of non-instructional services:				
Food service operations . . . . .	-	-	779,382	779,382
Extracurricular activities . . . . .	331,238	-	283,964	615,202
Facilities acquisition and construction . . . . .	117,559	-	558,972	676,531
Debt service:				
Principal retirement . . . . .	78,341	1,010,000	-	1,088,341
Interest and fiscal charges . . . . .	43,725	480,957	-	524,682
<b>Total expenditures . . . . .</b>	<b>15,941,828</b>	<b>1,516,991</b>	<b>2,318,366</b>	<b>19,777,185</b>
 Excess (deficiency) of revenues over (under) expenditures . . . . .	 (405,104)	 (36,565)	 (392,807)	 (834,476)
<b>Other financing sources:</b>				
Sale of assets . . . . .	11,394	-	7,900	19,294
Sale of notes . . . . .	-	-	345,028	345,028
<b>Total other financing sources . . . . .</b>	<b>11,394</b>	<b>-</b>	<b>352,928</b>	<b>364,322</b>
 Net change in fund balances . . . . .	 (393,710)	 (36,565)	 (39,879)	 (470,154)
<b>Fund balances at beginning of year . . . . .</b>	<b>4,461,449</b>	<b>2,583,281</b>	<b>195,912</b>	<b>7,240,642</b>
<b>Decrease in reserve for inventory . . . . .</b>	<b>(3,987)</b>	<b>-</b>	<b>(6,260)</b>	<b>(10,247)</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 4,063,752</b>	<b>\$ 2,546,716</b>	<b>\$ 149,773</b>	<b>\$ 6,760,241</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, 2014**

<b>Net change in fund balances - total governmental funds</b>		<b>\$ (470,154)</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	\$ 889,034	
Current year depreciation	<u>(847,886)</u>	
Total		41,148
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(28,054)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(10,247)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	1,727	
Earnings on investments	1,175	
Intergovernmental	<u>174,235</u>	
Total		177,137
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	1,010,000	
Notes	66,000	
Capital leases	<u>12,341</u>	
Total		1,088,341
Issuance of loans 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.		
		(345,028)
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	4,005	
Accreted interest on capital appreciation bonds	(128,476)	
Amortization of bond premiums	63,678	
Amortization of deferred charges	<u>(47,786)</u>	
Total		(108,579)
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.		
		(11,034)
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>1,116</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u><u>334,646</u></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, 2014**

	<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 . . . . .	\$ 8,364,004	\$ 8,472,004	\$ 8,554,462	\$ 82,458
Tuition . . . . .	1,692,625	1,778,800	1,778,425	(375)
Earnings on investments . . . . .	36,000	36,000	36,264	264
Classroom materials and fees . . . . .	167,000	167,000	167,158	158
Rental income . . . . .	14,000	14,000	9,511	(4,489)
Contributions and donations . . . . .	4,000	6,000	7,179	1,179
Other local revenues . . . . .	52,324	52,324	60,528	8,204
Intergovernmental - state . . . . .	5,030,128	5,084,478	5,079,063	(5,415)
Intergovernmental - federal . . . . .	75,000	75,000	47,720	(27,280)
<b>Total revenues . . . . .</b>	<u>15,435,081</u>	<u>15,685,606</u>	<u>15,740,310</u>	<u>54,704</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,192,759	7,452,765	7,261,592	191,173
Special . . . . .	1,532,462	1,597,087	1,428,540	168,547
Vocational . . . . .	243,178	244,319	264,642	(20,323)
Other . . . . .	499,776	498,353	566,628	(68,275)
Support services:				
Pupil . . . . .	847,668	853,209	891,618	(38,409)
Instructional staff . . . . .	612,500	611,917	586,199	25,718
Board of education . . . . .	67,135	76,915	83,632	(6,717)
Administration . . . . .	1,356,902	1,353,299	1,360,954	(7,655)
Fiscal . . . . .	533,219	536,925	555,677	(18,752)
Operations and maintenance . . . . .	1,607,811	1,603,334	1,634,778	(31,444)
Pupil transportation . . . . .	806,483	801,119	734,300	66,819
Central . . . . .	19,579	19,523	19,597	(74)
Extracurricular activities . . . . .	405,776	402,855	403,252	(397)
Facilities acquisition and construction . . . . .	343	120,000	117,559	2,441
Debt service:				
Principal . . . . .	66,188	66,000	66,000	-
Interest and fiscal charges . . . . .	51,513	51,366	40,950	10,416
<b>Total expenditures . . . . .</b>	<u>15,843,292</u>	<u>16,288,986</u>	<u>16,015,918</u>	<u>273,068</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(408,211)</u>	<u>(603,380)</u>	<u>(275,608)</u>	<u>327,772</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	47,000	47,000	60,982	13,982
Transfers (out) . . . . .	(6,722)	(6,703)	(6,703)	-
Sale of capital assets . . . . .	200	200	11,394	11,194
<b>Total other financing sources (uses) . . . . .</b>	<u>40,478</u>	<u>40,497</u>	<u>65,673</u>	<u>25,176</u>
Net change in fund balance . . . . .	(367,733)	(562,883)	(209,935)	352,948
<b>Fund balance at beginning of year . . . . .</b>	4,489,579	4,489,579	4,489,579	-
<b>Prior year encumbrances appropriated . . . . .</b>	2,830	2,830	2,830	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 4,124,676</u>	<u>\$ 3,929,526</u>	<u>\$ 4,282,474</u>	<u>\$ 352,948</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014**

	<b>Nonmajor Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 69,208	\$ 97,116
	<u>69,208</u>	<u>97,116</u>
Total current assets . . . . .		<u>97,116</u>
Noncurrent assets:		
Depreciable capital assets, net . . . . .	7,392	-
	<u>7,392</u>	<u>-</u>
Total assets. . . . .	<u>76,600</u>	<u>97,116</u>
<b>Liabilities:</b>		
Accrued wages and benefits . . . . .	7,782	-
Pension obligation payable. . . . .	2,372	-
Intergovernmental payable . . . . .	296	-
Claims payable . . . . .	-	96,000
Unearned revenue. . . . .	7,115	-
	<u>17,565</u>	<u>96,000</u>
Total current liabilities . . . . .		<u>96,000</u>
Long-term liabilities:		
Compensated absences payable. . . . .	12,208	-
	<u>12,208</u>	<u>-</u>
Total long-term liabilities . . . . .	<u>12,208</u>	<u>-</u>
Total liabilities . . . . .	<u>29,773</u>	<u>96,000</u>
<b>Net position:</b>		
Net investment in capital assets . . . . .	7,392	-
Unrestricted. . . . .	39,435	1,116
	<u>39,435</u>	<u>1,116</u>
Total net position. . . . .	<u>\$ 46,827</u>	<u>\$ 1,116</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

RICHLAND COUNTY

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>Nonmajor Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Fund</b>	<b>Service Fund</b>
<b>Operating revenues:</b>		
Tuition and fees. . . . .	\$ 83,115	\$ -
Charges for services. . . . .	-	159,190
Total operating revenues . . . . .	83,115	159,190
<b>Operating expenses:</b>		
Personal services. . . . .	61,882	-
Purchased services. . . . .	10,915	27,304
Materials and supplies . . . . .	4,207	-
Capital outlay . . . . .	655	-
Claims . . . . .	-	130,770
Depreciation . . . . .	565	-
Total operating expenses. . . . .	78,224	158,074
Change in net position / operating income . . .	4,891	1,116
<b>Net position at beginning of year. . . . .</b>	<b>41,936</b>	<b>-</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 46,827</b>	<b>\$ 1,116</b>

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, 2014**

	<b>Nonmajor Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<u>                    </u>	<u>                    </u>
<b>Cash flows from operating activities:</b>		
Cash received from tuition and fees . . . . .	\$ 82,255	\$ -
Cash received from sales/charges for services. . . . .	-	159,190
Cash payments for personal services. . . . .	(61,017)	-
Cash payments for contractual services . . . . .	(10,915)	(27,304)
Cash payments for materials and supplies . . . . .	(4,862)	-
Cash payments for claims . . . . .	-	(34,770)
	<u>                    </u>	<u>                    </u>
Net cash provided by operating activities . . . . .	<u>5,461</u>	<u>97,116</u>
Net increase in cash and cash equivalents. . . . .	5,461	97,116
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>63,747</b>	<b>-</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 69,208</u></b>	<b><u>\$ 97,116</u></b>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income. . . . .	\$ 4,891	\$ 1,116
Adjustments:		
Depreciation. . . . .	565	-
Changes in assets and liabilities:		
Increase in accrued wages and benefits. . . . .	385	-
Increase in intergovernmental payable. . . . .	19	-
Increase in compensated absences payable. . . . .	365	-
Increase in pension obligation payable. . . . .	96	-
Decrease in unearned revenue. . . . .	(860)	-
Increase in claims payable . . . . .	-	96,000
	<u>                    </u>	<u>                    </u>
Net cash provided by operating activities. . . . .	<u>\$ 5,461</u>	<u>\$ 97,116</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014**

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ -	\$ 53,638
Cash in segregated accounts. . . . .	23,668	-
Receivables:		
Accounts . . . . .	-	261
 Total assets. . . . .	 23,668	 \$ 53,899
 <b>Liabilities:</b>		
Pension obligation payable. . . . .	-	\$ 63
Intergovernmental payable . . . . .	-	3,607
Due to students. . . . .	-	50,229
 Total liabilities . . . . .	 -	 \$ 53,899
 <b>Net position:</b>		
Held in trust for scholarships . . . . .	23,668	
 Total net position. . . . .	 \$ 23,668	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 598
Gifts and contributions. . . . .	6,000
Total additions. . . . .	6,598
 <b>Deductions:</b>	
Scholarships awarded . . . . .	1,000
 Change in net position . . . . .	5,598
<b>Net position at beginning of year. . . . .</b>	<b>18,070</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 23,668</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

The District operates under a locally-elected five-member Board of Education (Board) and provides educational services as authorized by state and/or federal agencies. The Board controls the District's four instructional/support facilities which are staffed by 55 classified, 109 certified teaching personnel and 9 administrators who provide services to 1,937 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, 2014  
(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 2014, the District paid \$179,766 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, 2014  
(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 \$720 in administrative fees during fiscal year 2014.

**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, 2014  
(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, 2014  
(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 funds. Fiduciary funds are reported by fund type.

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

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

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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, 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 Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

*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 2014 is as follows:

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

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2014.

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.

**ONTARIO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

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 2014. 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 fund, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2014, investments were limited to federal agency securities, 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, 2014.

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 2014, interest revenue credited to the general fund amounted to \$47,881, which included \$18,278 assigned from other District funds.

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

**ONTARIO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

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 fair market value. Inventories are recorded on a first-in, first-out basis and are expensed when purchased. Inventories are accounted for using the purchase method in governmental funds.

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.

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

**ONTARIO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**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 10.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.

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.

**ONTARIO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

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

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

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

**L. Fund Balance**

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

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

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

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

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

**M. Operating Revenues and Expenses**

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

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**N. Net Position**

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

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

**O. Prepayments**

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

**P. Estimates**

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

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2014, the District did not incur any transactions that would be classified as an extraordinary item or special item.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

For fiscal year 2014, the District has implemented GASB Statement No. 67, "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25", and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 67 improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**ONTARIO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

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.

**A. Cash on Hand**

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

**B. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$3,733,928. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$617,818 of the District's bank balance of \$3,875,436 was exposed to custodial risk as discussed below, while \$3,257,618 was covered by the FDIC.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

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.

**C. Investments**

As of June 30, 2014, 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>24 to 60 months</u>
FFCB	\$ 249,773	\$ -	\$ -	\$ -	\$ -	\$ 249,773
FHLMC	745,949	-	-	-	548,465	197,484
FNMA	397,290	-	-	-	-	397,290
FHLB	200,208	-	-	-	-	200,208
Negotiable CD's	1,752,402	-	-	101,925	554,306	1,096,171
U.S. Government money market	2,496	2,496	-	-	-	-
STAR Ohio	45,575	45,575	-	-	-	-
Lincoln National annuity mutual fund	17,669	17,669	-	-	-	-
<b>Total</b>	<b>\$ 3,411,362</b>	<b>\$ 65,740</b>	<b>\$ -</b>	<b>\$ 101,925</b>	<b>\$ 1,102,771</b>	<b>\$ 2,140,926</b>

The weighted average maturity of investments is 2.97 years.

*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.

**ONTARIO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

*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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 249,773	7.32
FHLMC	745,949	21.86
FNMA	397,290	11.65
FHLB	200,208	5.87
Negotiable CD's	1,752,402	51.37
U.S. Government money market	2,496	0.07
STAR Ohio	45,575	1.34
Lincoln National annuity mutual fund	17,669	0.52
Total	<u>\$ 3,411,362</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,733,928
Investments	3,411,362
Cash on hand	<u>500</u>
Total	<u>\$ 7,145,790</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,999,276
Business-type activities	69,208
Private-purpose trust fund	23,668
Agency funds	<u>53,638</u>
Total	<u>\$ 7,145,790</u>

**ONTARIO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**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 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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, 2014, are available to finance fiscal year 2014 operations. The amount available as an 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 available for advance at June 30, 2013 was \$1,741,563 in the general fund, \$231,075 in the debt service fund and \$50,389 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, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

**ONTARIO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 271,848,010	97.28	\$ 270,124,830	97.01
Public utility personal	<u>7,611,520</u>	<u>2.72</u>	<u>8,319,850</u>	<u>2.99</u>
Total	<u>\$ 279,459,530</u>	<u>100.00</u>	<u>\$ 278,444,680</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$46.60		\$46.60	
Debt service	4.50		4.50	
Permanent improvement	1.00		1.00	

**NOTE 6 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2014 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 73,518</u>

The primary purpose of the interfund balances is to cover negative cash balances 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, 2014 are reported on the statement of net position.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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	\$10,197,947
Accounts	180
Intergovernmental	403,446
Accrued interest	5,167
Payments in lieu of taxes	<u>48,312</u>
Total	<u>\$10,655,052</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 \$48,312 in modified accrual revenue for payments in lieu of taxes during fiscal year 2014.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 9 - CAPITAL ASSETS**

**A. Governmental activities**

Capital asset activity for the governmental activities for the fiscal year ended June 30, 2014, was as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2014</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	-	-	1,076,830
Building/improvements	30,014,302	532,746	(36,916)	30,510,132
Furniture/equipment	2,523,429	266,350	(168,641)	2,621,138
Vehicles	1,745,726	89,938	(241,025)	1,594,639
Infrastructure	<u>708,701</u>	<u>-</u>	<u>-</u>	<u>708,701</u>
Total capital assets, being depreciated	<u>36,068,988</u>	<u>889,034</u>	<u>(446,582)</u>	<u>36,511,440</u>
<i>Less: accumulated depreciation</i>				
Land/improvements	(741,582)	(36,492)	-	(778,074)
Building/improvements	(9,618,738)	(567,755)	-	(10,186,493)
Furniture/equipment	(1,824,471)	(138,208)	181,808	(1,780,871)
Vehicles	(1,141,579)	(90,554)	236,720	(995,413)
Infrastructure	<u>(187,161)</u>	<u>(14,877)</u>	<u>-</u>	<u>(202,038)</u>
Total accumulated depreciation	<u>(13,513,531)</u>	<u>(847,886)</u>	<u>418,528</u>	<u>(13,942,889)</u>
Governmental activities capital assets, net	<u>\$ 22,596,296</u>	<u>\$ 41,148</u>	<u>\$ (28,054)</u>	<u>\$ 22,609,390</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 405,099
Special	20,287
Vocational	10,295

Support services:

Pupil	21,747
Instructional staff	57,046
Administration	29,250
Fiscal	2,574
Operations and maintenance	64,947
Pupil transportation	106,060

Operation of non-instructional services:

Other non-instructional services	3,750
Food service operations	42,723
Extracurricular activities	<u>84,108</u>
Total depreciation expense	<u>\$ 847,886</u>

**ONTARIO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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, 2014, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Land improvements	\$ 11,300	\$ -	\$ -	\$ 11,300
Less: accumulated depreciation	<u>(3,343)</u>	<u>(565)</u>	<u>-</u>	<u>(3,908)</u>
Business-type activities capital assets, net	<u>\$ 7,957</u>	<u>\$ (565)</u>	<u>\$ -</u>	<u>\$ 7,392</u>

**NOTE 10 - CAPITAL LEASES**

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

Capital assets consisting of equipment have been capitalized in the amount of \$68,755. 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 2014 totaled \$12,341 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, 2014.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 15,116
2016	6,463
2017	<u>2,596</u>
Total minimum lease payments	24,175
Less: amount representing interest	<u>(2,712)</u>
Total	<u>\$ 21,463</u>

**ONTARIO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. The District's governmental and business-type activities long-term obligations during the year consist of the following:

	Balance Outstanding July 1, 2013	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding June 30, 2014	Amount Due in One Year
<b><u>Governmental activities:</u></b>					
<u>General obligation bonds:</u>					
Series 1999, Construction					
Current interest bonds	\$ 585,000	\$ -	\$ (40,000)	\$ 545,000	\$ 45,000
Series 2006, Refunding					
Current interest bonds	9,300,000	-	(85,000)	9,215,000	85,000
Series 2006, Refunding					
Capital appreciation bonds	74,996	-	-	74,996	-
Series 2006, Refunding					
Capital appreciation bonds					
Accreted interest	411,782	128,476	-	540,258	-
Series 2007, Refunding					
Current interest bonds	2,415,000	-	(885,000)	1,530,000	920,000
<u>Other long-term obligations:</u>					
Capital lease	33,804	-	(12,341)	21,463	13,333
Energy Conservation note - FY12	1,171,000	-	(66,000)	1,105,000	68,000
Energy Conservation note - FY14	-	345,028	-	345,028	38,537
Compensated absences	1,344,994	125,785	(238,726)	1,232,053	117,649
Total	<u>\$ 15,336,576</u>	<u>\$ 599,289</u>	<u>\$ (1,327,067)</u>	14,608,798	<u>\$ 1,287,519</u>
Add: unamortized premiums				<u>344,347</u>	
Total on statement of net position				<u>\$ 14,953,145</u>	
<b><u>Business-Type Activities</u></b>					
Compensated absences	<u>\$ 11,843</u>	<u>\$ 365</u>	<u>\$ -</u>	<u>\$ 12,208</u>	<u>\$ -</u>

**ONTARIO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

Compensated absences for the governmental activities are paid primarily from the general fund and the food service fund (a nonmajor governmental fund). Compensated absences for the business-type activities are paid from the preschool/latchkey fund (a nonmajor enterprise fund). See Note 9 for detail on capital lease obligations.

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

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

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

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

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2015	\$ 45,000	\$ 28,086	\$ 73,086
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 - 2024	310,000	43,337	353,337
Total	\$ 545,000	\$ 159,036	\$ 704,036

- 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 \$540,258 has been included in the statement of net position.

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

**ONTARIO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

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

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
2015	\$ 85,000	\$ 370,860	\$ 455,860	\$ -	\$ -	\$ -
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 - 2024	6,450,000	668,538	7,118,538	-	-	-
						-
Total	<u>\$ 9,215,000</u>	<u>\$ 2,354,819</u>	<u>\$ 11,569,819</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
2015	\$ 920,000	\$ 41,463	\$ 961,463
2016	610,000	11,819	621,819
Total	<u>\$ 1,530,000</u>	<u>\$ 53,282</u>	<u>\$ 1,583,282</u>

**ONTARIO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(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.

The following is a description of the energy conservation notes payable at June 30, 2014:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
				<u>July 1, 2013</u>			<u>June 30, 2014</u>
Energy conservation notes	3.55%	12/15/11	12/01/26	<u>\$ 1,171,000</u>	<u>\$ -</u>	<u>\$ (66,000)</u>	<u>\$ 1,105,000</u>

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>
2015	\$ 68,000	\$ 38,021	\$ 106,021
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 - 2024	438,000	92,620	530,620
2025 - 2027	<u>297,000</u>	<u>15,922</u>	<u>312,922</u>
Total	<u>\$ 1,105,000</u>	<u>\$ 272,908</u>	<u>\$ 1,377,908</u>

- F. On April 10, 2014, the District entered into a House Bill 264 energy conservation note. As of June 30, 2014, the District had received \$345,028. 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.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
				<u>July 1, 2013</u>			<u>June 30, 2014</u>
Energy conservation notes	1.00%	4/10/14	12/1/28	<u>\$ -</u>	<u>\$ 345,028</u>	<u>\$ -</u>	<u>\$ 345,028</u>

**G. 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, 2014, are a voted debt margin of \$16,241,741 (including available funds of \$2,546,716) and an unvoted debt margin of \$278,445.

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

**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.

**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 2014, the District contracted with Liberty Mutual Insurance Company for property insurance coverage in the blanket amount of \$69,748,583 with agreed amount, 100% coinsurance, replacement cost endorsement and a \$1,000 deductible. Boiler and machinery coverage is also provided with blanket coverage in the amount of \$69,748,583 with a \$2,500 deductible. The District inland marine coverage amount is \$100,000 for electronic data processing and \$640,000 for tractors, band uniforms, athletic equipment, musical instruments, audio/visual equipment and signs. The inland marine coverage has a \$500 deductible.

Vehicles are covered by Liberty Mutual Insurance Company and hold a \$1,000 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 \$5,000,000 with a \$10,000 self-insured retention.

Liberty Mutual Insurance 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.

Liberty Mutual Insurance 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.

Liberty Mutual Insurance 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.

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

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

Liberty Mutual Insurance Company also provides sexual misconduct and molestation coverage on a 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.

Liberty Mutual Insurance Company provides school law enforcement liability coverage on an 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.

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

For calendar year 2014, 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 have future premium adjustments (refunds or assessments) at the end of each of the three evaluation periods. For the 2014 program, the evaluation periods will be January 2015, 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.

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

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

The District has elected to provide a comprehensive medical benefits package to the employees through a fully-insured program from July 1, 2013 through May 31, 2014. The District became self insured on June 1, 2014. 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 \$541.26 for single coverage and \$1,460.00 for family coverage. The District portion of the monthly premium is \$478.89 for single coverage and \$1,285.98 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 \$62.36 for single coverage and \$174.02 for family coverage which is withheld from their biweekly payroll.

The District provides dental coverage for its employees on a fully-insured basis through Medical Mutual of Ohio. The total monthly premium is \$32.05 for single and \$86.49 for family coverage. The District's portion of the monthly premium is \$18.85 for single and \$56.01 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 employees responsibility. The employee portion of the monthly premium is \$13.20 for single and \$30.48 for family coverage which is withheld from their biweekly payroll.

The District also provides vision coverage for its employees on a fully-insured basis through Medical Mutual of Ohio. The total monthly premium is \$6.51 for single coverage and \$17.60 for family coverage. The District's portion of the monthly premium is \$1.75 for single coverage and \$6.47 for family coverage. These amounts are capped at 48% of premium increases. The employee portion of the monthly premium is \$4.76 for single coverage and \$11.13 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 2014, a total expense of \$27,304 was incurred in administrative costs. The liability for unpaid claims of \$96,000 reported at June 30, 2014 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.

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

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

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>
2014	\$ -	\$ 130,770	\$ (34,770)	\$ 96,000

**NOTE 14 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$238,187, \$236,552 and \$222,787, respectively; 80.06 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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 - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$989,733, \$972,632 and \$906,653, respectively; 83.97 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B 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. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$34,496, \$29,360 and \$40,473, respectively; 80.06 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$13,819, \$13,362 and \$13,157, respectively; 80.06 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$76,133, \$74,818 and \$69,743, respectively; 83.97 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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 assigned, committed or restricted fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

(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	\$ (209,935)
Net adjustment for revenue accruals	(303,578)
Net adjustment for expenditure accruals	156,762
Net adjustment for other sources/uses	(54,279)
Funds budgeted elsewhere **	(8,744)
Adjustment for encumbrances	<u>26,064</u>
GAAP basis	<u>\$ (393,710)</u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on 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.

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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, 2014, the reserve activity was as follows:

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2013	\$ -
Current year set-aside requirement	317,337
Current year qualifying expenditures	(499,214)
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (181,877)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside reserve balance June 30, 2014	<u>\$ -</u>

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

**NOTE 19 - COMMITMENTS**

**A. Other Commitments**

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

	Year-End
<u>Fund Type</u>	<u>Encumbrances</u>
General fund	<u>\$ 500</u>

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 19 - COMMITMENTS - (Continued)**

**B. Contractual Commitments**

At June 30, 2014, the District had the following contractual commitments outstanding related to the House Bill 264 energy savings project.

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2014</u>	<u>Remaining Contract Amount</u>
Energy Optimizers, USA	\$ 305,900	\$ 244,418	\$ 61,482
Automatic Temperature and Process Systems	261,681	155,910	105,771
CC Electric	<u>30,649</u>	<u>18,218</u>	<u>12,431</u>
Total	<u>\$ 598,230</u>	<u>\$ 418,546</u>	<u>\$ 179,684</u>

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ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014

<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	\$ 51,645	\$ 51,645
Cash Assistance:			
School Breakfast Program	10.553	72,722	72,722
National School Lunch Program	10.555	303,803	303,803
Total Child Nutrition Cluster		<u>428,170</u>	<u>428,170</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b><u>428,170</u></b>	<b><u>428,170</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	171,648	175,975
Special Education-Grants to States (IDEA, Part B)	84.027	283,009	283,661
ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	4,900	2,100
Improving Teacher Quality State Grants	84.367	<u>30,413</u>	<u>30,413</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b><u>489,970</u></b>	<b><u>492,149</u></b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<b><u>\$ 918,140</u></b>	<b><u>\$ 920,319</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, 2014**

**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 fair market 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 10, 2014.

### ***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

September 10, 2014



# 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, 2014. The *Summary of Audit 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, 2014.

**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

September 10, 2014

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<u>Child Nutrition Cluster:</u> CFDA #10.555 – National School Lunch Program CFDA #10.553 – School Breakfast Program
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<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

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# 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  
SEPTEMBER 30, 2014**