



**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Ontario Local School District
Richland County
2200 Bedford Blvd.
Mansfield, Ohio 44906

To the Board of Education:

We have audited the accompanying general purpose financial statements of Ontario Local School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 8 to the general purpose financial statements, the District changed its method of accounting and reporting for certain fixed assets for the year ended June 30, 2000.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

November 3, 2000

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ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
ASSETS AND OTHER DEBITS												
ASSETS:												
Equity in pooled cash and cash equivalents	\$2,293,266	\$128,408	\$216,229	\$9,489,418	\$91,611	\$0	\$1,018,241					\$13,237,173
Equity in pooled cash and cash equivalents - nonexpendable trust fund							16,667					16,667
Receivables (net of allowances of uncollectibles):												
Property taxes - current & delinquent	8,652,270		1,687,550									10,339,820
Accounts	2,907	1,072		38,825	890							4,869
Accrued interest	31,459											70,284
Interfund loan receivable	73,500											73,500
Due from other governments	21,578				7,817							29,395
Materials and supplies inventory	90,151	141			9,107							99,399
Prepayments	11,836	1,025										12,861
Restricted assets:												
Equity in pooled cash and cash equivalents	137,349											137,349
Property, plant and equipment (net of accumulated depreciation where applicable)					38,773				\$23,181,114			23,219,887
OTHER DEBITS:												
Amount available in debt service fund										\$298,994		298,994
Amount to be provided for retirement of general long-term obligations										22,057,146		22,057,146
Total assets and other debits	\$11,314,316	\$130,646	\$1,903,779	\$9,528,243	\$148,198	\$0	\$1,034,908		\$23,181,114	\$22,356,140		\$69,597,344

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
LIABILITIES, EQUITY AND OTHER CREDITS												
LIABILITIES:												
Accounts payable	\$9,871	\$5,145										\$15,016
Contracts payable		4,767		\$1,947,783								1,952,550
Retainage payable				83,622								1,027,275
Accrued wages and benefits	1,110,432				\$38,673		\$943,653					1,149,105
Compensated absences payable	81,347				30,332							1,344,901
Pension obligation payable	150,909	1,045			23,508				\$1,233,222			253,395
Interfund loan payable					4,953	\$53,500	20,000		77,933			73,500
Deferred revenue	8,178,383	1,000	1,604,785									9,789,121
Due to other governments	12,530						5,422					17,952
Due to students							48,666					48,666
General obligation bonds payable									21,044,985			21,044,985
Notes payable				90,000								90,000
Total liabilities	9,543,472	11,957	1,604,785	2,121,405	97,466	53,500	1,017,741		22,356,140			36,806,466
EQUITY AND OTHER CREDITS:												
Investment in general fixed assets								\$23,181,114				23,181,114
Contributed capital					108,197							108,197
Retained earnings (accumulated deficit):					(57,465)	(53,500)						(110,965)
unreserved												7,020,806
Fund balances:												
Reserved for encumbrances	94,445	28,255		6,898,106								90,292
Reserved for materials and supplies inventory	90,151	141										12,861
Reserved for prepayments	11,836	1,025										236,617
Reserved for debt service			236,617									
Reserved for tax revenue unavailable for appropriation	317,889		62,377									380,266
Reserved for principal endowment							15,750					15,750
Reserved for budget stabilization	137,349											137,349
Unreserved-undesignated	1,119,174	89,268		508,732			1,417					1,718,591
Total equity and other credits	1,770,844	118,689	298,994	7,406,838	50,732	(53,500)	17,167	23,181,114				32,790,878
Total liabilities, equity and other credits	\$11,314,316	\$130,646	\$1,903,779	\$9,528,243	\$148,198	\$0	\$1,034,908	\$23,181,114	\$22,356,140			\$69,597,344

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$6,999,781		\$1,308,037	\$45,610		\$8,353,428
Tuition	81,599					81,599
Earnings on investments	217,547	\$8,774		935,600		1,161,921
Other local revenues	91,408	251,513		42,603	\$1,500	387,024
Other revenue		5,000				5,000
Intergovernmental - State	1,677,898	46,493	136,063	5,966		1,866,420
Intergovernmental - Federal	429	133,954				134,383
Total revenue	9,068,662	445,734	1,444,100	1,029,779	1,500	11,989,775
Expenditures:						
Current:						
Instruction:						
Regular	4,727,710	72,904		43,272	1,500	4,845,386
Special	650,752	49,503				700,255
Vocational	207,717					207,717
Other	116,219					116,219
Support services:						
Pupil	497,173	56,789				553,962
Instructional staff	521,332	37,923				559,255
Board of Education	27,621					27,621
Administration	799,950					799,950
Fiscal	292,710		19,634			312,344
Operations and maintenance	1,055,520					1,055,520
Pupil transportation	856,395	12,046				868,441
Central	6,152	4,870				11,022
Community services	13,874	1,793				15,667
Extracurricular activities	297,279	180,542				477,821
Facilities acquisition and construction				13,090,631		13,090,631
Debt service:						
Principal retirement			205,000			205,000
Interest and fiscal charges			990,433	5,610		996,043
Total expenditures	10,070,404	416,370	1,215,067	13,139,513	1,500	24,842,854
Excess (deficiency) of revenues over (under) expenditures	(1,001,742)	29,364	229,033	(12,109,734)		(12,853,079)
Other financing sources:						
Proceeds from sale of fixed assets	632			11,713		12,345
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(1,001,110)	29,364	229,033	(12,098,021)	0	(12,840,734)
Fund balances, July 1	2,771,258	89,672	69,961	19,504,859	500	22,436,250
Increase (decrease) in reserve for inventory	696	(347)				349
Fund balances, June 30	\$1,770,844	\$118,689	\$298,994	\$7,406,838	\$500	\$9,595,865

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$7,867,140	\$8,024,348	\$157,208				\$1,430,110	\$1,513,225	\$83,115				\$9,297,250	\$9,537,573	\$240,323
Tuition.....	68,000	63,371	(4,629)										68,000	63,371	(4,629)
Earnings on investments.....	175,000	196,089	21,089	\$6,700	\$8,773	\$2,073				\$712,827	\$969,545	\$256,718	68,000	63,371	(4,629)
Other local revenues.....	89,500	91,456	1,956	272,213	250,438	(21,775)	42,734	44,298	1,564	404,447	386,192	(18,255)	404,447	386,192	(18,255)
Other revenue.....	1,643,200	1,674,548	31,348	46,493	47,493	1,000	128,500	136,063	7,563	13,499	5,966	(7,533)	6,000	5,000	(1,000)
Intergovernmental - State.....	475	429	(46)	135,426	133,954	(1,472)							1,831,692	1,864,070	32,378
Intergovernmental - Federal.....				466,832	445,658	(21,174)	1,538,610	1,649,288	90,678	769,060	1,019,809	250,749	135,901	134,383	(1,518)
Total revenues.....	9,843,315	10,050,241	206,926	466,832	445,658	(21,174)	1,538,610	1,649,288	90,678	769,060	1,019,809	250,749	12,637,817	13,164,996	527,179
Expenditures:															
Current:															
Instruction:															
Regular.....	4,798,121	4,715,187	82,934	75,570	72,869	2,701				62,373	43,272	19,101	4,936,064	4,831,328	104,736
Special.....	666,837	729,162	(62,325)	82,457	77,758	4,699							749,294	806,920	(57,626)
Vocational.....	204,420	205,889	(1,469)										204,420	205,889	(1,469)
Other.....	75,000	116,219	(41,219)										75,000	116,219	(41,219)
Support services:															
Pupil.....	496,795	494,474	2,321	90,179	56,784	33,395							586,974	551,258	35,716
Instructional staff.....	563,158	540,663	22,495	47,191	40,826	6,365							610,349	581,489	28,860
Board of Education.....	31,490	27,716	3,774										31,490	27,716	3,774
Administration.....	790,185	772,370	17,815							8,000	0	8,000	798,185	772,370	25,815
Fiscal.....	313,395	285,376	28,019										338,395	304,341	34,054
Operations and maintenance.....	1,146,830	1,054,727	92,103				25,000	18,965	6,035				1,146,830	1,054,727	92,103
Pupil transportation.....	841,733	854,762	(13,029)	13,605	11,927	1,678							855,338	866,689	(11,351)
Central.....	13,238	6,669	6,569	5,274	5,274	0							18,674	11,943	6,731
Community services.....	13,500	13,874	(374)	2,106	1,793	313							15,606	15,667	(61)
Extracurricular activities.....	318,387	297,127	21,260	182,897	177,568	5,329							501,284	474,695	26,589
Facilities acquisition & construction.....													20,861,928	20,563,758	298,170
Debt service:															
Principal retirement.....							245,000	245,000	0				245,000	245,000	0
Interest and fiscal charges.....							996,043	996,043	0				996,043	996,043	0
Total expenditures.....	10,273,089	10,114,215	158,874	499,441	444,799	54,642	1,266,043	1,260,008	6,035	20,932,301	20,607,030	325,271	32,970,874	32,426,052	544,822
Excess (deficiency) of revenues over (under) expenditures.....	(429,774)	(63,974)	365,800	(32,609)	859	33,468	292,567	389,280	96,713	(20,163,241)	(19,587,221)	576,020	(20,333,057)	(19,261,056)	1,072,001
Other financing sources (uses):															
Advances in.....	0	195,000	195,000							232,422	232,422	0	232,422	427,422	195,000
Advances (out).....	(61,000)	(73,500)	(12,500)				(232,422)	(232,422)	0				(293,422)	(306,922)	(12,500)
Proceeds from sale of fixed assets.....	6,000	632	(5,368)							0	11,713	11,713	6,000	12,345	6,345
Refund of prior year expenditure.....	516	1,661	1,145										516	1,661	1,145
Total other financing sources (uses).....	(54,484)	123,793	178,277				(232,422)	(232,422)	0	232,422	244,135	11,713	(54,484)	135,506	189,990
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(484,258)	59,819	544,077	(32,609)	859	33,468	60,145	156,858	96,713	(19,930,819)	(19,343,086)	587,733	(20,387,541)	(19,125,550)	1,261,991
Fund balances, July 1.....	2,243,320	2,243,320	0	94,149	94,149	0	59,371	59,371	0	15,150,302	15,150,302	0	17,547,142	17,547,142	0
Prior year encumbrances appropriated.....	28,406	28,406	0	0	0	0	0	0	0	4,806,802	4,806,802	0	4,833,208	4,833,208	0
Fund balances, June 30.....	\$1,787,468	\$2,331,545	\$544,077	\$61,540	\$95,008	\$33,468	\$119,516	\$216,229	\$96,713	\$26,285	\$61,4018	\$587,733	\$1,994,809	\$3,256,800	\$1,261,991

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2000

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:				
Tuition and fees	\$65,998			\$65,998
Sales/charges for services	355,729	\$143,921		499,650
Investment earnings			\$895	895
 Total operating revenues	 <u>421,727</u>	 <u>143,921</u>	 <u>895</u>	 <u>566,543</u>
Operating expenses:				
Personal services	266,099			266,099
Contract services	7,354			7,354
Materials and supplies	249,123	150		249,273
Depreciation	6,902			6,902
Other			976	976
Claims expense		1,961		1,961
 Total operating expenses	 <u>529,478</u>	 <u>2,111</u>	 <u>976</u>	 <u>532,565</u>
Operating income (loss)	<u>(107,751)</u>	<u>141,810</u>	<u>(81)</u>	<u>33,978</u>
Nonoperating revenues (expenses):				
Operating grants	61,619			61,619
Federal commodities	43,181			43,181
Interest revenue	4,506			4,506
Loss on disposal of assets	(2,507)			(2,507)
Miscellaneous		150		150
 Total nonoperating revenues (expenses)	 <u>106,799</u>	 <u>150</u>	 <u></u>	 <u>106,949</u>
Net income (loss)	(952)	141,960	(81)	140,927
Accumulated deficit/fund balance, July 1	<u>(56,513)</u>	<u>(195,460)</u>	<u>16,748</u>	<u>(235,225)</u>
Accumulated deficit/fund balance, June 30	<u>(\$57,465)</u>	<u>(\$53,500)</u>	<u>\$16,667</u>	<u>(\$94,298)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Cash received from tuition and fees	\$66,083			\$66,083
Cash received from sales/service charges	354,867	\$143,921		498,788
Cash payments for personal services	(256,013)			(256,013)
Cash payments for contract services	(7,354)			(7,354)
Cash payments for materials and supplies	(205,890)	(150)		(206,040)
Cash payments for claims expenses		(5,850)		(5,850)
Cash payments for other expenses			(976)	(976)
Net cash provided by (used in) operating activities	(48,307)	137,921	(976)	88,638
Cash flows from noncapital financing activities:				
Cash received from operating grants	60,988			60,988
Cash received from interfund loans		53,500		53,500
Cash received from nonoperating activities		150		150
Cash payments used in repayment of interfund loans		(195,000)		(195,000)
Net cash provided by (used in) noncapital financing activities	60,988	(141,350)		(80,362)
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	7,225			7,225
Acquisition of capital assets	(12,600)			(12,600)
Net cash used in capital and related financing activities	(5,375)			(5,375)
Cash flows from investing activities:				
Interest received	4,506		895	5,401
Net cash provided by investing activities	4,506		895	5,401
Net increase (decrease) in cash and cash equivalents	11,812	(3,429)	(81)	8,302
Cash and cash equivalents at beginning of year	79,799	3,429	16,748	99,976
Cash and cash equivalents at end of year	\$91,611	\$0	\$16,667	\$108,278
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	(\$107,751)	\$141,810	(\$81)	\$33,978
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	6,902			6,902
Federal donated commodities	43,181			43,181
Interest reported as operating income			(895)	(895)
Changes in assets and liabilities:				
Decrease in materials and supplies inventory	1,308			1,308
Increase in accounts receivable	(777)			(777)
Increase in accrued wages and benefits	4,866			4,866
Increase in compensated absences payable	5,333			5,333
Decrease in pension obligation payable	(113)			(113)
Decrease in claims payable		(3,889)		(3,889)
Decrease in deferred revenue	(1,256)			(1,256)
Net cash provided by (used in) operating activities	(48,307)	\$137,921	(\$976)	\$88,638

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Ontario Local School District ("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 69 classified, 100 certificated full-time teaching personnel, and 9 administrators who provide services to 1,720 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity." When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to: the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

A. Reporting Entity (Continued)

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

JOINT VENTURE WITHOUT EQUITY INTEREST

Heartland Council of Governments (the COG)

The COG (fka North Central Ohio Computer Cooperative) is a joint venture among 16 school districts and 1 educational service center. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic technology to administrative and instructional functions. Each member district supports the COG based on a per pupil charge dependent upon the software package utilized. In the event of dissolution of the COG, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contribution. The COG is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in the COG as a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. 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.

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

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 \$687 in administrative fees and \$969 in additional assessments during fiscal year 2000.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

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

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

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

PROPRIETARY FUNDS

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. The following are the District's proprietary fund types:

Enterprise Funds - The enterprise funds are 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.

Internal Service Funds - The internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund, a nonexpendable trust fund and agency funds. The expendable trust fund is accounted for in the same manner as governmental funds. The nonexpendable trust fund is accounted for in the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure identifying items which would be subject to accrual for other fund types (See Note 3.B.).

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary or trust funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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

C. Measurement Focus/Basis of Accounting (Continued)

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, intergovernmental revenue, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds and the nonexpendable trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as revenue.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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

D. Budgets

The District is required by state statute to adopt an annual appropriated budget for all funds. The specific timetable is as follows:

1. Prior to January 15 of the preceding year, 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. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed 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 final Amended Certificate issued for fiscal year 2000.
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
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

D. Budgets (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 2000 in the following amounts:

	<u>Increase</u>
Special Revenue Funds	\$80,087
Capital Projects Funds	38,499
Agency Funds	22,500
Expendable Trust Fund	1,500

The budget figures, as shown in the accompanying budgetary statements, represent the final appropriation amounts including all amendments and modifications.

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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

D. Budgets (Continued)

Encumbrance accounting is utilized by District funds during the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 14 discloses encumbrances outstanding for the enterprise funds at fiscal year end.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to federal agency notes, repurchase agreements, State Treasury Asset Reserve (STAR Ohio), and an open-ended mutual fund. Investments are reported at fair value, which is based on quoted market prices, with the following exceptions: nonparticipating investment contracts such as repurchase agreements are reported at cost and investment contracts that have a remaining maturity of one year or less at the time of purchase are reported at amortized 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 share price which is the price the investment could be sold for on June 30, 2000.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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

E. Cash and Investments (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The following funds were credited with more interest revenue than would have been received based upon their share of the District's investments during fiscal 2000:

	<u>Interest Actually Received</u>	<u>Interest Based Upon Share of Investments</u>	<u>Interest Assigned By Other Funds</u>
<u>General Fund</u>	\$217,547	\$151,442	\$66,105
<u>Capital Projects Funds</u>			
Building	935,600	932,803	2,797

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 this variable annuity to its nonexpendable trust fund. No public funds were used to acquire the annuity.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 Treasurer's investment account at year end is provided in Note 4.

F. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets. Inventory in governmental funds consists of expendable supplies held for consumption.

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

F. Inventory (Continued)

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

Equipment reflected in these funds is stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	5-12

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems
Title VI-B
Professional Development Services
Title I
Title VI
Drug-Free Schools
Network Connectivity
School Net Professional Development
Ohio Reads
Summer Intervention
Safe School Helpline
Staff Development
Telecommunications
Class Reduction

Capital Projects Funds

SchoolNet Plus

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

H. Intergovernmental Revenues (Continued)

Reimbursable Grants

General Fund

Driver Education Reimbursement
School Bus Purchase Reimbursement
Vocational Education Travel/Salary

Enterprise Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 16% of the District's operating revenue during the 2000 fiscal year.

I. Compensated Absences

Compensated absences of the District consist of vacation leave, compensatory leave, and sick leave to the extent that payment 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. A liability for sick pay 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 have completed 5 years of service and will be likely to retire from the District.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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

I. Compensated Absences (Continued)

For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District also records a liability for accumulated unused compensatory time when earned. The District records a liability for accumulated sick leave in the period the employee attains five years of service. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, compensated absences are expensed when earned, and the entire amount is reported as a fund liability.

The total liability for vacation, compensatory leave, and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

J. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants, or contributions from developers, customers, or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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

K. Long-Term Obligations (Continued)

Under Ohio law, a debt retirement fund may be created and used for the payment of all debt principal interest. Generally accepted accounting principles require the allocation of the debt liability in the funds that received the proceeds. To comply with the GAAP reporting requirements, the activity of the District's debt retirement fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. Fund Equity

Reserved fund balances indicate that a portion of fund equity is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, principal endowment, materials and supplies inventory, prepayments, tax revenue unavailable for appropriation and budget stabilization. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

M. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers. The District had no transfers during fiscal year 2000.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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

M. Interfund Transactions (Continued)

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2000.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2000.

See Note 5 for an analysis of interfund transactions.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 19 for detail of statutory reserves.

O. Estimates

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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

P. Prepaids

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

Q. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, since interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2000 included the following fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
School Net Professional Development	\$ 12
Professional Development Services	2
Drug-Free Schools	2
Class Reduction	36
 <u>Enterprise Funds</u>	
Food Service	57,561
Pre-School/Latch-Key	1,373
 <u>Internal Service Funds</u>	
Employee Benefits Self-Insurance	53,500

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

A. Deficit Fund Balances/Retained Earnings (Continued)

These funds complied with Ohio state law which does not allow a cash deficit at year end.

The deficit fund balances in the School Net Professional Development, Professional Development Services, Drug-Free Schools and Class Reduction special revenue funds are a result of accruing wage obligations in accordance with GAAP. These deficits will be eliminated by user charges and intergovernmental revenues not recognized at June 30.

The deficit retained earnings in the Food Service Fund and Pre-School/Latch Key Fund are a result of accruing wage, benefit and pension obligations in accordance with GAAP. These deficits will be eliminated by user charges and intergovernmental revenues not recognized at June 30.

The deficit retained earnings in the Employee Benefits Self-Insurance Fund is a result of the application of GAAP, namely in the recognition of interfund loans as a fund liability rather than as "nonoperating revenue". This deficit will be eliminated as revenues are collected to repay this interfund loan.

B. Agency Funds

The following are accruals for the agency funds, which, in another fund type, would be recognized in the combined balance sheet:

LIABILITIES

Accounts payable	\$2,036
Accrued wages and benefits	399
Pension obligation payable	110

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "equity in pooled cash and cash equivalents ". Statutes require the classification of monies held by the District into three categories:

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

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.

Interim monies may be invested or deposited 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 or 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
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 4 - EQUITY IN POOLED CASH 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 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 rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Deposits: At year end, the carrying amount of the District's deposits was \$865,786 and the bank balance was \$1,123,415. The bank balance includes a clearance account to service payroll. While the respective expenditure was recognized by the District, a balance of \$66,738 remained in this clearing account at June 30, 2000. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$923,415 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: Investments are categorized to give an indication of the level of holding risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio and the Lincoln National Annuity are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Category 3	Fair Value
Repurchase agreements	\$ ---	\$62,448	\$ 62,448
Federal agency notes	3,256,871	---	3,256,871
Total	\$3,256,871	\$62,448	
Investment in STAR Ohio			9,189,417
Mutual Fund			16,667
Total investments			\$12,525,403

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

A reconciliation between the classifications of equity in pooled cash and cash equivalents on the Combined Balance Sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$13,391,189	\$ 0
Investments of the cash		
Management pool:		
Federal agency notes	(3,256,871)	3,256,871
Mutual fund	(16,667)	16,667
Investment in STAR Ohio	(9,189,417)	9,189,417
Repurchase agreements	<u>(62,448)</u>	<u>62,448</u>
 GASB Statement No. 3	 <u>\$ 865,786</u>	 <u>\$12,525,403</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$73,500	\$ - - -
 <u>Internal Service Funds</u>		
Employee Benefits Self-Insurance	- - -	53,500
 <u>Agency Funds</u>		
Student Managed Activity	<u>- - -</u>	<u>20,000</u>
 Total	 <u>\$73,500</u>	 <u>\$73,500</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed at 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1999 taxes were collected was \$306,677,340. Agricultural/residential and public utility/minerals real estate represented 45.80% or \$140,464,900 of this total; Commercial & industrial real estate represented 25.66% or \$78,691,770 of this total; public utility tangible represented 3.91% or \$11,989,680 of this total; and general tangible property represented 24.63% or \$75,530,990 of this total. The voted general tax rate at the fiscal year ended June 30, 2000 was \$38.80 per \$1,000 of assessed valuation for operations, and \$5.70 per \$1,000 of assessed valuation for debt service.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The District receives property taxes from Richland County. The Richland County Treasurer collects property taxes on behalf of the District, and the Richland County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 6 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$380,266 was available to the District as an advance at June 30 and is recognized as revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$8,652,270
Accounts	2,907
Accrued interest	31,459
Due from other governments	21,578
 <u>Special Revenue Funds</u>	
Accounts	1,072
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	1,687,550
 <u>Capital Projects Funds</u>	
Accrued interest	38,825

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 7 - RECEIVABLES (Continued)

<u>Enterprise Funds</u>		
Accounts		890
Due from other governments		7,817

NOTE 8 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
Land/ improvements	\$ 51,504	\$ ---	\$ ---	\$ 51,504
Buildings/ improvements	5,139,263	---	---	5,139,263
Furniture/ equipment	1,410,845	227,715	(290,045)	1,348,515
Vehicles	1,114,245	263,284	---	1,377,529
Construction in progress	<u>2,316,302</u>	<u>12,948,001</u>	<u>---</u>	<u>15,264,303</u>
Total	<u>\$10,032,159</u>	<u>\$13,439,000</u>	<u>\$(290,045)</u>	<u>\$23,181,114</u>

During fiscal year 2000, the District elected to change its method of accounting and reporting for certain fixed assets. Accordingly, the District will no longer capitalize the value of its textbooks and library books. As a result, the balance in the general fixed asset account group at June 30, 1999 was decreased by \$697,061 to \$10,032,159 at July 1, 1999.

The construction in progress represents costs incurred at June 30, 2000 for various building projects within the District. The projects include renovations and additions to the existing elementary school and high school, a new middle school, expansion of the bus garage and upgraded athletic facilities. The total estimated cost of the building projects is \$23,000,200. The scheduled completion date is December 31, 2000.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 8 - FIXED ASSETS (Continued)

A summary of the proprietary fixed assets at June 30, 2000 follows:

Furniture and equipment	\$122,279
Less: accumulated depreciation	<u>(83,506)</u>
Net fixed assets	<u>\$ 38,773</u>

NOTE 9 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 2000 are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 1999	\$108,197
Current contributions	<u> -</u>
Contributed capital, June 30, 2000	<u>\$108,197</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During fiscal year 1999, the District issued \$21,249,985 in general obligation bonds to provide for various District building projects. The primary source of repayment of these bonds is derived from a current \$5.3 mill bonded debt tax levy.

Payments of principal and interest relating to this liability are recorded as expenditures in the Debt Service Fund. The unmatured obligation at year end is accounted for in the general long-term obligations account group.

The following is a description of the District's general obligation bonds outstanding as of June 30, 2000:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Bonds Outstanding July 1, 1999</u>	<u>Bonds Retired in 2000</u>	<u>Bonds Outstanding June 30, 2000</u>
General obligation bonds	4.25% - 16.30%	12/01/23	<u>\$21,249,985</u>	<u>\$(205,000)</u>	<u>\$21,044,985</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds:

<u>Fiscal Year Ending</u>	<u>Principal on Bonds</u>	<u>Interest on Bonds</u>	<u>Total</u>
2001	\$ 595,000	\$ 975,186	\$ 1,570,186
2002	640,000	951,093	1,591,093
2003	685,000	924,581	1,609,581
2004	825,000	893,591	1,718,591
2005	665,000	862,341	1,527,341
2006 - 2010	2,164,985	5,609,896	7,774,881
2011 - 2015	4,355,000	3,379,625	7,734,625
2016 - 2020	5,560,000	2,129,106	7,689,106
2021 - 2024	<u>5,555,000</u>	<u>574,603</u>	<u>6,129,603</u>
Total	<u>\$21,044,985</u>	<u>\$16,300,022</u>	<u>\$37,345,007</u>

C. During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
Compensated absences	\$ 1,208,627	\$143,712	\$(119,117)	\$ 1,233,222
Pension obligation payable	76,550	77,933	(76,550)	77,933
General obligation bonds payable	<u>21,249,985</u>	<u>---</u>	<u>(205,000)</u>	<u>21,044,985</u>
Total	<u>\$22,535,162</u>	<u>\$221,645</u>	<u>\$(400,667)</u>	<u>\$22,356,140</u>

D. 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 effects of these debt limitations at June 30, 2000 are a voted debt margin of \$6,854,970 (including available funds of \$298,994) and an unvoted debt margin of \$306,677.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 11 - NOTES PAYABLE

A. The following is a description of the District's general obligation notes outstanding as of June 30, 2000:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Balance July 1, 1999</u>	<u>Retired in 2000</u>	<u>Balance June 30, 2000</u>
Energy Conservation Notes	5.1%	Various	<u>\$130,000</u>	<u>\$(40,000)</u>	<u>\$90,000</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

<u>Fiscal Year Ending</u>	<u>Principal on Notes</u>	<u>Interest on Notes</u>	<u>Total</u>
2001	\$45,000	\$3,443	\$48,443
2002	<u>45,000</u>	<u>1,148</u>	<u>46,148</u>
Total	<u>\$90,000</u>	<u>\$4,591</u>	<u>\$94,591</u>

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five 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 twenty days of vacation per year by 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 ten 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.

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 12 - COMPENSATED ABSENCES - (Continued)

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 the following schedule for any unused sick days:

<u>School Year</u>	<u>Sick Pay Percentage</u>	<u>Maximum Accrued Sick Leave Days</u>	<u>Maximum Sick Pay Days</u>
1999 - 00	28.89%	315	91
2000 - 01	27.88%	330	92
2001 - 02	26.96%	345	93
2002 - 03	26.11%	360	94
2003 - 04	25.33%	375	95
2004 - 05	24.62%	390	96
2005 - 06	23.95%	405	97
2006 - 07	23.33%	420	98
2007 - 08	22.76%	435	99
2008 - 09	22.22%	450	100

Classified employees who work on calamity days earn a compensation day. These days are encouraged to be taken during the year in which they are earned. Compensation days not taken during the year can be taken in the following years. Any unused compensation days at the time of employment termination will be paid to the employee. The primary employees receiving compensation days are maintenance and custodial.

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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 2000, the District contracted with Utica National Insurance Group for property insurance coverage in the blanket amount of \$31,322,474 with agreed amount, 90% coinsurance, replacement cost endorsement and a \$1,000 deductible. Boiler and machinery coverage is also provided with blanket coverage in the amount of \$28,190,231 with a \$1,000 deductible. The District also has inland marine floaters in the amount of \$996,884 with a \$100 deductible for coverage of electronic data processing equipment, and a \$250 deductible for audio visual equipment, tractors, musical instruments and uniforms.

Vehicles are covered by Nationwide Insurance Companies and hold a \$50 deductible for comprehensive and a \$100 deductible for collision. Automobile liability has a \$2,000,000 combined single limit of liability.

Nationwide Insurance Companies also provide general liability coverage with a \$1,000,000 single occurrence limit and no deductible. An umbrella liability coverage is provided above the previously stated base liability coverages for general and fleet liability in the amount of \$5,000,000 and no deductible.

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

B. Employee Dishonesty Bonds

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 13 - RISK MANAGEMENT (Continued)

C. Worker's Compensation

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP. The District paid \$1,732 in administrative fees to the GRP for fiscal year 2000.

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 Anthem Life Insurance Company of Indiana in the amount of \$50,000.

The District has elected to provide a comprehensive medical benefits package to its employees through a fully-insured program. This package provides a comprehensive medical plan with an annual \$100 single and \$200 family deductible. Included in the plan is a prescription drug card with a \$3 per prescription deductible for generic drugs and a \$10 per prescription deductible for brand drugs. The medical plan and prescription drug card are administered by Medical Mutual of Ohio located in Cleveland, Ohio. The total monthly premium for the medical and prescription drug plan is \$173.85 for single coverage and \$469.42 for family coverage. The District portion of the monthly premium is \$165.97 for single coverage and \$448.03 for family coverage which is paid out of the same fund that pays the salary for the employees. The District's amounts are capped by negotiated union contracts and cannot be increased except through negotiations. The employee monthly portion of the premium is \$7.88 for single coverage and \$21.39 for family coverage which is withheld from their biweekly payroll.

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 13 - RISK MANAGEMENT - (Continued)

D. Employee Group Life, Medical, Dental, and Vision Insurance (Continued)

Effective March 1, 1999 our medical, dental and vision insurance plans were switched from self-insured to fully-insured. The self-insured claims run-out exceeded the reserve balance by \$244,808. It was negotiated with both unions to approve the following plan to pay off this debt. The employees will pay an additional \$26.59 for single and \$23.40 for family per month until the debt is paid in full. This amount withheld from the employees is approximately \$3,300 a month. In addition the Board of Education will pay \$8,750 per month towards the debt until it is paid in full. It is anticipated being paid in full in November 2000. Once the debt is paid in full, the Board's and employees' share of premium will revert back to the original Board caps stated above.

The District provides dental coverage for its employees on a fully-insured basis through Medical Mutual of Ohio. The total monthly premium is \$24.94 for single and \$67.35 for family coverage. The District's portion of the monthly premium is \$13.67 for single and \$36.90 for family coverage. Like the medical premium, this amount is also capped by negotiated union contracts and cannot be raised except through negotiated agreement. The employee's portion of the monthly premium is \$11.27 for single and \$30.45 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 \$12.94 for single coverage and \$34.94 for family coverage. The District's portion of the monthly premium is \$9.18 for single coverage and \$21.18 for family coverage. This amount is also capped by negotiated union contracts and cannot be raised except through negotiated agreement. The employee's portion of the monthly premium is \$3.76 for single coverage and \$13.76 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 more than tripled for employees who work more than 20 hours but less than 30 hours. For part-time employees who work less than 20 hours a week the employee portion is more than seven times higher.

**ONTARIO LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 13 - RISK MANAGEMENT - (Continued)

D. Employee Group Life, Medical, Dental, and Vision Insurance (Continued)

During fiscal year 1999, the District changed from a self-insurance program for medical, dental and vision to the fully-insured program. The outstanding claims from the self-insurance program at June 30, 1999 were paid during fiscal year 2000. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2000	\$ 3,889	\$ 1,961	\$ (5,850)	\$ 0
1999	93,263	518,126	(607,500)	3,889

NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of Food Service, Uniform School Supplies and Pre-School/Latch Key. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Pre-School Latch Key</u>	<u>Total</u>
Operating revenue	\$355,729	\$15,775	\$50,223	\$421,727
Depreciation	4,795	---	2,107	6,902
Operating income (loss)	(108,485)	969	(235)	(107,751)
Operating grants	61,619	---	---	61,619
Net income (loss)	(1,686)	969	(235)	(952)
Net working capital	36,908	1,469	3,914	42,291
Total assets	133,543	1,469	13,186	148,198
Total liabilities	82,907	---	14,559	97,466
Total retained earnings (accumulated deficit)	(57,561)	1,469	(1,373)	(57,465)
Contributed capital	108,197	---	---	108,197
Total fund equity (deficit)	50,636	1,469	(1,373)	50,732
Encumbrances at 6/30/00	---	---	---	---

**ONTARIO LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 5.5 percent was the portion to fund pension obligations. For fiscal year 1999, 7.7 percent was used to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$215,191, \$213,161, and \$203,477, respectively; 66.67 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$71,732, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**ONTARIO LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1999, 10.5 percent was used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$676,006, \$648,312, and \$651,547, respectively; 82.02 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$121,532, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 16 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$386,289 during fiscal 2000.

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$153,883 during the 2000 fiscal year.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (b) Expenditures 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses				
Governmental Fund Types				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>
Budget basis	\$ 59,819	\$ 859	\$156,858	\$(19,343,086)
Net adjustment for revenue accruals	(981,579)	76	(205,188)	9,970
Net adjustment for expenditure accruals	(72,984)	(4,971)	44,941	(1,408,353)
Net adjustment for other financing sources (uses)	(123,161)	---	232,422	(232,422)
Encumbrances (budget basis)	<u>116,795</u>	<u>33,400</u>	<u>---</u>	<u>8,875,870</u>
GAAP basis	<u><u>\$(1,001,110)</u></u>	<u><u>\$29,364</u></u>	<u><u>\$229,033</u></u>	<u><u>\$(12,098,021)</u></u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 18 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

The District is not currently a party to any legal proceedings.

C. Purchase and Sale Agreement

On December 20, 1999, the District (the "Seller") entered into a Purchase and Sale Agreement (the "Agreement") with Bradley Operating Limited Partnership (the "Buyer"), whereby the District agrees to sell approximately 10.854 acres of land and buildings and improvements thereon located at 2200 Bedford Boulevard, Ontario, Ohio for the price of \$1,000,000. This Agreement is based upon numerous contingencies related to the Buyers due diligence investigations and the proposed development of the property. The terms of the Agreement expire after one year; however, the Buyer retains the right to purchase a six month extension period at a cost of \$3,500 per month (this is a non-refundable fee paid to the Seller). As of June 30, 2000, no further action has transpired regarding this Agreement.

D. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$993,778 of school foundation support for its general fund.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 18 - CONTINGENCIES - (Continued)

D. State School Funding Decision (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, “...the mandate of the (Ohio) Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

E. Contractual Commitments

As of June 30, 2000, the District had contractual commitments for the following projects:

Project	Contractual Commitments	Expended	Balance 06/30/00
Stingel Project	\$5,618,144	\$5,117,820	\$500,324
Middle/High School Project	15,999,363	7,646,407	8,352,956
	<u>\$21,617,507</u>	<u>\$12,764,227</u>	<u>\$8,853,280</u>

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 18 - CONTINGENCIES - (Continued)

E. Contractual Commitments (Continued)

Certain contracts have been completed; however, the related projects have not been completed and are still reported in construction in progress.

NOTE 19 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1999	\$ 0	\$ 0	\$137,349
Current year set-aside requirement	234,428	234,428	- - -
Qualifying disbursements	<u>(337,527)</u>	<u>(737,569)</u>	<u>- - -</u>
Set-aside balance carried forward to future fiscal years	<u>\$(103,099)</u>	<u>\$(503,141)</u>	<u>\$137,349</u>
Set-aside reserve balance as of June 30, 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$137,349</u>

The District had qualifying disbursements during the year that reduced the textbook and capital acquisition set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	<u>\$137,349</u>
Total restricted assets	<u>\$137,349</u>

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Ontario Local School District
Richland County
2200 Bedford Blvd.
Mansfield, Ohio 44906

To the Board of Education:

We have audited the financial statements of Ontario Local School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 3, 2000, in which we noted the District changed its method of accounting and reporting for certain fixed assets. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Ontario Local School District
Richland County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 3, 2000



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OFFICE OF THE AUDITOR

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ONTARIO LOCAL SCHOOL DISTRICT

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 5, 2000**