



**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



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
457 Shelby-Ontario Road
Ontario, Ohio 44906

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Ontario Local School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America 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, 2001, 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 accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2001, 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

October 31, 2001

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ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
ASSETS AND OTHER DEBITS									
ASSETS:									
Equity in pooled cash and cash equivalents	\$2,604,858	\$97,281	\$358,325	\$633,278	\$80,551	\$55,255			\$3,829,548
Equity in pooled cash and cash equivalents - nonexpendable trust fund							16,664		16,664
Cash with fiscal agent						949,039			949,039
Receivables (net of allowances of uncollectibles):									
Property taxes - current & delinquent	8,737,724		1,691,613						10,429,337
Accounts	2,662	659		272	273				3,866
Accrued interest	15,562								15,562
Interfund loan receivable	10,000								10,000
Due from other governments	25,580				15,327				40,907
Materials and supplies inventory	96,184	45			8,324				104,553
Prepayments	12,830	432							13,262
Restricted assets:									
Equity in pooled cash and cash equivalents	53,402								53,402
Property, plant and equipment (net of accumulated depreciation where applicable)					46,616		\$31,298,590		31,345,206
OTHER DEBITS:									
Amount available in debt service fund								\$464,973	464,973
Amount to be provided for retirement of general long-term obligations								21,293,102	21,293,102
Total assets and other debits	\$11,558,802	\$98,417	\$2,049,938	\$633,550	\$151,091	\$1,020,958	\$31,298,590	\$21,758,075	\$68,569,421

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, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$20,031			\$3,000					\$23,031
Contracts payable				366,698					366,698
Retainage payable						\$949,039			949,039
Accrued wages and benefits	1,140,456	\$9,563			\$45,087				1,195,106
Compensated absences payable	134,379				31,359		\$1,232,473		1,398,211
Pension obligation payable	154,595	906			28,752		75,617		259,870
Interfund loan payable						10,000			10,000
Deferred revenue	8,140,327		\$1,584,965	262	3,644				9,729,198
Due to other governments	31,343	6,000				2,918			40,261
Due to students						42,337			42,337
General obligation bonds payable								20,449,985	20,449,985
Notes payable				45,000					45,000
Total liabilities	9,621,131	16,469	1,584,965	414,960	108,842	1,004,294		21,758,075	34,508,736
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets							\$31,298,590		31,298,590
Contributed capital					108,197				108,197
Retained earnings (accumulated deficit): unreserved					(65,948)				(65,948)
Fund balances (deficit):									
Reserved for encumbrances	144,651			75,321					219,972
Reserved for materials and supplies inventory	96,184	45							96,229
Reserved for prepayments	12,830	432							13,262
Reserved for debt service			393,511						393,511
Reserved for tax revenue unavailable for appropriation	366,649		71,462						438,111
Reserved for principal endowment						15,750			15,750
Reserved for budget stabilization	53,402								53,402
Unreserved-undesignated	1,263,955	81,471		143,269		914			1,489,609
Total equity and other credits	1,937,671	81,948	464,973	218,590	42,249	16,664	31,298,590		34,060,685
Total liabilities, equity and other credits	\$11,558,802	\$98,417	\$2,049,938	\$633,550	\$151,091	\$1,020,958	\$31,298,590	\$21,758,075	\$68,569,421

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, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expensible Trust	
Revenues:						
From local sources:						
Taxes	\$8,269,056		\$1,609,578	\$48,443		\$9,927,077
Tuition	75,537					75,537
Earnings on investments	229,463	\$2,580		203,099		435,142
Extracurricular		216,441				216,441
Other local revenues	92,485	66,951		42,198		201,634
Other revenue		4,972				4,972
Intergovernmental - State	1,860,292	53,320	154,139	54,900		2,122,651
Intergovernmental - Federal	405	130,875				131,280
Total revenue	10,527,238	475,139	1,763,717	348,640		13,114,734
Expenditures:						
Current:						
Instruction:						
Regular	4,866,637	54,600		56,450	\$500	4,978,187
Special	572,745	115,687				688,432
Vocational	217,283					217,283
Other	82,200					82,200
Support services:						
Pupil	515,134	69,617				584,751
Instructional staff	574,305	61,366				635,671
Board of Education	21,925					21,925
Administration	968,684					968,684
Fiscal	341,949		27,552			369,501
Operations and maintenance	1,309,283					1,309,283
Pupil transportation	574,099	11,895				585,994
Central	8,305	5,446				13,751
Community services	14,900	1,969				16,869
Extracurricular activities	300,895	191,204				492,099
Facilities acquisition and construction				7,476,995		7,476,995
Debt service:						
Principal retirement			595,000			595,000
Interest and fiscal charges			975,186	3,443		978,629
Total expenditures	10,368,344	511,784	1,597,738	7,536,888	500	20,015,254
Excess (deficiency) of revenues over (under) expenditures	158,894	(36,645)	165,979	(7,188,248)	(500)	(6,900,520)
Other financing sources:						
Proceeds from sale of fixed assets	1,900					1,900
Excess (deficiency) of revenues and other financing sources over (under) expenditures	160,794	(36,645)	165,979	(7,188,248)	(500)	(6,898,620)
Fund balances, July 1	1,770,844	118,689	298,994	7,406,838	500	9,595,865
Increase (decrease) in reserve for inventory	6,033	(96)				5,937
Fund balances, June 30	\$1,937,671	\$81,948	\$464,973	\$218,590	\$0	\$2,703,182

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, 2001

	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.....	\$8,218,557	\$8,132,132	(\$86,425)				\$1,656,443	\$1,633,155	(\$23,288)				\$9,875,000	\$9,765,287	(\$109,713)
Tuition.....	57,250	68,185	10,935										57,250	68,185	10,935
Earnings on investments.....	230,000	231,148	1,148	\$9,000	\$2,580	(\$6,420)				\$241,454	\$241,454	\$0	480,454	475,182	(5,272)
Extracurricular.....				183,980	216,441	32,461							183,980	216,441	32,461
Other local revenues.....	87,000	90,494	3,494	68,245	67,362	(883)				21,714	42,188	20,474	176,959	200,044	23,085
Other revenue.....				4,487	4,972	485							4,487	4,972	485
Intergovernmental - State.....	1,818,650	1,839,305	20,655	50,520	52,320	1,800	147,000	154,139	7,139	54,900	54,900	0	2,071,070	2,100,664	29,594
Intergovernmental - Federal.....	425	405	(20)	130,875	130,875	0							131,300	131,280	(20)
Total revenues.....	<u>10,411,882</u>	<u>10,361,669</u>	<u>(50,213)</u>	<u>447,107</u>	<u>474,550</u>	<u>27,443</u>	<u>1,803,443</u>	<u>1,787,294</u>	<u>(16,149)</u>	<u>318,068</u>	<u>338,542</u>	<u>20,474</u>	<u>12,980,500</u>	<u>12,962,055</u>	<u>(18,445)</u>
Expenditures:															
Current:															
Instruction:															
Regular.....	4,879,134	4,810,707	68,427	66,411	54,628	11,783				57,468	56,451	1,017	5,003,013	4,921,786	81,227
Special.....	868,954	717,769	151,185	115,083	110,012	5,071							984,037	827,781	156,256
Vocational.....	211,567	216,753	(5,186)										211,567	216,753	(5,186)
Other.....	97,500	82,200	15,300										97,500	82,200	15,300
Support services:															
Pupil.....	531,996	518,244	13,752	80,584	69,617	10,967							612,580	587,861	24,719
Instructional staff.....	597,552	574,383	23,169	55,479	61,237	(5,758)							653,031	635,620	17,411
Board of Education.....	28,875	23,100	5,775										28,875	23,100	5,775
Administration.....	922,323	941,970	(19,647)										922,323	941,970	(19,647)
Fiscal.....	358,010	335,758	22,252				29,000	26,569	2,431				387,010	362,327	24,683
Operations and maintenance.....	1,288,600	1,301,473	(12,873)										1,288,600	1,301,473	(12,873)
Pupil transportation.....	613,566	570,467	43,099	14,655	12,144	2,511							628,221	582,611	45,610
Central.....	11,238	8,305	2,933	5,444	5,444	0							16,682	13,749	2,933
Community services.....	14,900	14,900	0	2,110	1,969	141							17,010	16,869	141
Extracurricular activities.....	316,236	301,145	15,091	204,145	196,626	7,519							520,381	497,771	22,610
Facilities acquisition & construction.....										9,741,487	9,583,720	157,767	9,741,487	9,583,720	157,767
Debt service:															
Principal retirement.....							640,000	640,000	0				640,000	640,000	0
Interest and fiscal charges.....							978,630	978,629	1				978,630	978,629	1
Total expenditures.....	<u>10,740,451</u>	<u>10,417,174</u>	<u>323,277</u>	<u>543,911</u>	<u>511,677</u>	<u>32,234</u>	<u>1,647,630</u>	<u>1,645,198</u>	<u>2,432</u>	<u>9,798,955</u>	<u>9,640,171</u>	<u>158,784</u>	<u>22,730,947</u>	<u>22,214,220</u>	<u>516,727</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(328,569)</u>	<u>(55,505)</u>	<u>273,064</u>	<u>(96,804)</u>	<u>(37,127)</u>	<u>59,677</u>	<u>155,813</u>	<u>142,096</u>	<u>(13,717)</u>	<u>(9,480,887)</u>	<u>(9,301,629)</u>	<u>179,258</u>	<u>(9,750,447)</u>	<u>(9,252,165)</u>	<u>498,282</u>
Other financing sources:															
Advances in.....	0	63,500	63,500										0	63,500	63,500
Proceeds from sale of fixed assets.....	500	1,900	1,400										500	1,900	1,400
Refund of prior year expenditure.....	385	26,883	26,498										385	26,883	26,498
Total other financing sources.....	<u>885</u>	<u>92,283</u>	<u>91,398</u>										<u>885</u>	<u>92,283</u>	<u>91,398</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures.....	<u>(327,684)</u>	<u>36,778</u>	<u>364,462</u>	<u>(96,804)</u>	<u>(37,127)</u>	<u>59,677</u>	<u>155,813</u>	<u>142,096</u>	<u>(13,717)</u>	<u>(9,480,887)</u>	<u>(9,301,629)</u>	<u>179,258</u>	<u>(9,749,562)</u>	<u>(9,159,882)</u>	<u>589,680</u>
Fund balances, July 1.....	2,331,545	2,331,545	0	95,008	95,008	0	216,229	216,229	0	614,018	614,018	0	3,256,800	3,256,800	0
Prior year encumbrances appropriated.....	116,795	116,795	0	33,400	33,400	0	0	0	0	8,875,870	8,875,870	0	9,026,065	9,026,065	0
Fund balances, June 30.....	<u>\$2,120,656</u>	<u>\$2,485,118</u>	<u>\$364,462</u>	<u>\$31,604</u>	<u>\$91,281</u>	<u>\$59,677</u>	<u>\$372,042</u>	<u>\$358,325</u>	<u>(\$13,717)</u>	<u>\$9,001</u>	<u>\$188,259</u>	<u>\$179,258</u>	<u>\$2,533,303</u>	<u>\$3,122,983</u>	<u>\$589,680</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 REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2001

	<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	\$59,835			\$59,835
Sales/charges for services	391,761	\$53,500		445,261
Investment earnings			\$897	897
Total operating revenues	<u>451,596</u>	<u>53,500</u>	<u>897</u>	<u>505,993</u>
Operating expenses:				
Personal services	307,238			307,238
Contract services	6,240			6,240
Materials and supplies	239,954			239,954
Depreciation	6,751			6,751
Other			900	900
Total operating expenses	<u>560,183</u>		<u>900</u>	<u>561,083</u>
Operating income (loss)	<u>(108,587)</u>	<u>53,500</u>	<u>(3)</u>	<u>(55,090)</u>
Nonoperating revenues (expenses):				
Operating grants	64,545			64,545
Federal commodities	39,798			39,798
Interest revenue	3,971			3,971
Loss on disposal of assets	<u>(8,210)</u>			<u>(8,210)</u>
Total nonoperating revenues (expenses)	<u>100,104</u>			<u>100,104</u>
Net income (loss)	(8,483)	53,500	(3)	45,014
Accumulated deficit/fund balance, July 1	<u>(57,465)</u>	<u>(53,500)</u>	<u>16,667</u>	<u>(94,298)</u>
Accumulated deficit/fund balance, June 30	<u><u>(\$65,948)</u></u>	<u><u>\$0</u></u>	<u><u>\$16,664</u></u>	<u><u>(\$49,284)</u></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, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:				
Cash received from tuition and fees.	\$59,775			\$59,775
Cash received from sales/service charges.	392,438	\$53,500		445,938
Cash payments for personal services	(294,553)			(294,553)
Cash payments for contract services	(6,240)			(6,240)
Cash payments for materials and supplies.	(200,682)			(200,682)
Cash payments for other expenses			(\$900)	(900)
Net cash provided by (used in) operating activities	<u>(49,262)</u>	<u>53,500</u>	<u>(900)</u>	<u>3,338</u>
Cash flows from noncapital financing activities:				
Cash received from operating grants	57,035			57,035
Cash payments used in repayment of interfund loans		(53,500)		(53,500)
Net cash provided by (used in) noncapital financing activities	<u>57,035</u>	<u>(53,500)</u>		<u>3,535</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets.	425			425
Acquisition of capital assets	(23,229)			(23,229)
Net cash used in capital and related financing activities	<u>(22,804)</u>			<u>(22,804)</u>
Cash flows from investing activities:				
Interest received	3,971		897	4,868
Net cash provided by investing activities	<u>3,971</u>		<u>897</u>	<u>4,868</u>
Net decrease in cash and cash equivalents	(11,060)	0	(3)	(11,063)
Cash and cash equivalents at beginning of year	91,611	0	16,667	108,278
Cash and cash equivalents at end of year.	<u>\$80,551</u>	<u>\$0</u>	<u>\$16,664</u>	<u>\$97,215</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss).	(\$108,587)	\$53,500	(\$3)	(\$55,090)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	6,751			6,751
Federal donated commodities	39,798			39,798
Interest reported as operating income			(897)	(897)
Changes in assets and liabilities:				
Decrease in materials and supplies inventory	783			783
Decrease in accounts receivable.	617			617
Increase in accrued wages and benefits	6,414			6,414
Increase in compensated absences payable	1,027			1,027
Increase in pension obligation payable.	5,244			5,244
Decrease in deferred revenue.	(1,309)			(1,309)
Net cash provided by (used in) operating activities	<u>(\$49,262)</u>	<u>\$53,500</u>	<u>(\$900)</u>	<u>\$3,338</u>

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, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates under a locally-elected five-member Board of Education (Board) and provides educational services as authorized by state and/or federal agencies. The Board controls the District's four instructional/support facilities which are staffed by 74 classified, 101 certificated full-time teaching personnel, and 10 administrators who provide services to 1,729 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) 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, 2001
(Continued)

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 member 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.

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

A. Reporting Entity (Continued)

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 \$668 in administrative fees and \$1,005 in additional assessments during fiscal year 2001.

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.

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:

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

B. Fund Accounting (Continued)

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 of construction of major capital facilities (other than those financed by proprietary funds or trust funds).

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

B. Fund Accounting (Continued)

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).

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

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.

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 60 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, 2001, and which are intended to finance fiscal 2002 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

C. Measurement Focus/Basis of Accounting (Continued)

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.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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 for fiscal year 2001 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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

D. Budgets (Continued)

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001 in the following amounts:

	<u>Increase/(Decrease)</u>
Special Revenue Funds	\$ 25,799
Capital Projects Funds	144,788
Enterprise Funds	(6,902)
Internal Service Fund	(3,500)
Agency Fund	53,000

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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. The District had no 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 2001, investments were limited to federal agency notes, repurchase agreements, certificates of deposit, 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 and certificates of deposit are reported at cost and investment contracts that had 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, 2001.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal year 2001, interest revenue credited to the general fund amounted to \$229,463 which included \$154,234 assigned from other District funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

E. Cash and Investments (Continued)

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.

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

G. Fixed Assets and Depreciation (Continued)

2. Proprietary Funds

Equipment reflected in these funds are 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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

H. Intergovernmental Revenues (Continued)

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
Class Reduction
Eisenhower Grant

Capital Projects Funds

School Net Plus

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 17 percent of the District's operating revenue during the 2001 fiscal year.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

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 five years of service and will be likely to retire from the District.

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

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.

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 a 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 2001.
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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

M. Interfund Transactions (Continued)

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, 2001.
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, 2001.

See Note 5 for an analysis of interfund transactions.

N. 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.

O. 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 prepayment is not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

P. 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2001 included the following fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
Ohio Reads	\$ 1
Eisenhower Grant	3
Title VI-B	872
Class Reduction	5
<u>Capital Projects Fund</u>	
Permanent Improvement	21,386
<u>Enterprise Fund</u>	
Food Service	70,022

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

The deficit fund balances in the Ohio Reads, Eisenhower Grant, Title VI-B 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 balance in the Permanent Improvement Capital Projects Fund is due to the recording of notes payable as a fund liability. This deficit will be eliminated as resources become available to repay the notes.

The deficit retained earnings in the Food Service Enterprise Fund is a result of accruing wage, benefit and pension obligations in accordance with GAAP. This deficit will be eliminated by user charges and intergovernmental revenues not recognized at June 30.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Agency Funds

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

ASSETS

Accounts receivable	\$263
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LIABILITIES

Accrued wages and benefits	\$408
Pension obligation payable	113

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:

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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

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

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;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 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 180 days in an amount not to exceed 25% 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

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.

Cash on hand: At fiscal year-end, the District had \$50 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

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."

Deposits: At year-end, the carrying amount of the District's deposits was \$2,457,972 and the bank balance was \$2,657,740. The bank balance includes non-negotiable certificates of deposit and a clearance account to service payroll. While the respective expenditures were recognized by the District, a bank balance of \$26,674 remained in this clearing account. Of the bank balance:

1. \$1,779,000 was covered by federal depository insurance; and
2. \$878,740 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

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	\$ ---	\$169,017	\$ 169,017
Federal agency notes	<u>889,764</u>	<u>---</u>	<u>889,764</u>
Total	<u>\$889,764</u>	<u>\$169,017</u>	
Investment in STAR Ohio			1,315,186
Lincoln National Annuity			<u>16,664</u>
Total investments			<u>\$2,390,631</u>

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".

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:

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,848,653	\$ 0
Investments of the cash		
Management pool:		
Federal agency notes	(889,764)	889,764
Mutual fund (Lincoln National Annuity)	(16,664)	16,664
Investment in STAR Ohio	(1,315,186)	1,315,186
Repurchase agreements	(169,017)	169,017
Cash on hand	(50)	---
GASB Statement No. 3	<u>\$ 2,457,972</u>	<u>\$ 2,390,631</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$10,000	\$ ---
<u>Agency Fund</u>		
Student Managed Activity	<u>---</u>	<u>10,000</u>
Total	<u>\$10,000</u>	<u>\$10,000</u>

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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

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 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 2000 taxes were collected was \$309,731,760. Agricultural/residential and public utility/minerals real estate represented 46.71% or \$144,669,410 of this total; Commercial & industrial real estate represented 26.01% or \$80,554,900 of this total; public utility tangible represented 3.59% or \$11,108,540 of this total; and general tangible property represented 23.69% or \$73,398,910 of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was \$38.70 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.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001.

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 \$438,111 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, 2001, 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001 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	\$8,737,724
Accounts	2,662
Accrued interest	15,562
Due from other governments	25,580
 <u>Special Revenue Funds</u>	
Accounts	659
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	1,691,613
 <u>Capital Projects Funds</u>	
Accounts	272
 <u>Enterprise Funds</u>	
Accounts	273
Due from other governments	15,327

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 8 - FIXED ASSETS

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

	Balance <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2001</u>
Land/ improvements	\$ 51,504	\$ 94,140	\$ ---	\$ 145,644
Buildings/ improvements	5,139,263	78,930	---	5,218,193
Furniture/ equipment	1,348,515	178,576	(29,526)	1,497,565
Vehicles	1,377,529	---	(83,719)	1,293,810
Construction in progress	<u>15,264,303</u>	<u>7,879,075</u>	<u>---</u>	<u>23,143,378</u>
Total	<u>\$23,181,114</u>	<u>\$8,230,721</u>	<u>\$(113,245)</u>	<u>\$31,298,590</u>

The construction in progress represents costs incurred by June 30, 2001 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 \$23,460,720. The scheduled completion date for all of the projects is December 31, 2001.

A summary of the proprietary fixed assets at June 30, 2001 follows:

Furniture and equipment	\$116,042
Less: accumulated depreciation	<u>(69,426)</u>
Net fixed assets	<u>\$ 46,616</u>

NOTE 9 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 2001 are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 2000	\$108,197
Current contributions	<u>---</u>
Contributed capital, June 30, 2001	<u>\$108,197</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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 5.7 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, 2001:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Bonds Outstanding July 1, 2000</u>	<u>Bonds Retired in 2001</u>	<u>Bonds Outstanding June 30, 2001</u>
General obligation bonds	4.25% - 16.30%	12/01/23	<u>\$21,044,985</u>	<u>\$(595,000)</u>	<u>\$20,449,985</u>

- 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>
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	220,732	1,322,478	1,543,210
2007 - 2011	2,734,253	5,046,056	7,780,309
2012 - 2016	4,570,000	3,157,984	7,727,984
2017 - 2021	5,845,000	1,838,453	7,683,453
2022 - 2024	<u>4,265,000</u>	<u>328,259</u>	<u>4,593,259</u>
Total	<u>\$20,449,985</u>	<u>\$15,324,836</u>	<u>\$35,774,821</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. During the year ended June 30, 2001, 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</u> <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2001</u>
Compensated absences	\$ 1,233,222	\$104,191	\$(104,940)	\$ 1,232,473
Pension obligation payable	77,933	75,617	(77,933)	75,617
General obligation bonds payable	<u>21,044,985</u>	<u>---</u>	<u>(595,000)</u>	<u>20,449,985</u>
Total	<u>\$22,356,140</u>	<u>\$179,808</u>	<u>\$(777,873)</u>	<u>\$21,758,075</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, 2001 are a voted debt margin of \$7,890,846 (including available funds of \$464,973) and an unvoted debt margin of \$309,732.

NOTE 11 - NOTES PAYABLE

A. During fiscal year 1994, the District issued energy conservation notes in accordance with H.B. 264. Proceeds were used to provide for energy improvements to various District buildings. Principal, interest and the unpaid balance related to these notes are recorded in the Permanent Improvement Capital Projects Fund. The following is a description of the District's general obligation notes outstanding as of June 30, 2001:

	<u>Interest</u> <u>Rates</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>July 1, 2000</u>	<u>Retired</u> <u>in 2001</u>	<u>Balance</u> <u>June 30, 2001</u>
Energy Conservation Notes	5.1%	Various	<u>\$90,000</u>	<u>\$(45,000)</u>	<u>\$45,000</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 11 - NOTES PAYABLE - (Continued)

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>
2002	<u>\$45,000</u>	<u>\$1,148</u>	<u>\$46,148</u>

NOTE 12 - COMPENSATED ABSENCES

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

Administrators, teachers, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to 450 days. Upon retirement, payment is made based upon the following schedule for any unused sick days:

<u>School Year</u>	<u>Severance Pay Percentage</u>	<u>Maximum Accrued Sick Leave Days</u>	<u>Maximum Severance Pay Days</u>
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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 12 - COMPENSATED ABSENCES (Continued)

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 will be paid at the employee's daily rate at the end of the fiscal year. The principal employees receiving compensation days are maintenance and custodial.

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 2001, the District contracted with Utica National Insurance Group for property insurance coverage in the blanket amount of \$50,582,697 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 \$50,582,697 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, 2001
(Continued)**

NOTE 13 - RISK MANAGEMENT - (Continued)

C. Worker's Compensation

For fiscal year 2001, 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 \$1,845 in administrative fees to the GRP for fiscal year 2001.

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 13 - RISK MANAGEMENT - (Continued)

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

The District has elected to provide a comprehensive medical benefits package to the employees through a fully-insured program. This package provides a comprehensive medical plan with a \$100 single and \$200 family deductible. Included in the plan is a prescription drug card with a \$6 per prescription deductible for generic drugs and a \$12 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 paid for the medical and prescription drug plan is \$258.93 for single coverage and \$610.18 for family coverage. The District's portion of the monthly premium is \$250.24 for single coverage and \$568.22 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. It was negotiated that the District's portion effective with the March 1, 2002 renewal will be increased up to a maximum of a 10% increase in the premium. Any increase beyond 10% will be the responsibility of the employee. The employee monthly portion of the premium is \$8.69 for single coverage and \$41.96 for family coverage which is withheld from their biweekly payroll.

The District provides dental coverage for its employees on a fully-insured basis through Medical Mutual of Ohio. The total monthly premium is \$24.50 for single and \$66.16 for family coverage. The District's portion of the monthly premium is \$13.34 for single and \$41.06 for family coverage. Like the medical premium, this amount is also capped by negotiated union contracts and cannot be raised except through negotiated agreement. It was negotiated that the District's portion effective with the March 1, 2002 renewal will be increased up to a maximum of a 10% increase in the premium. Any increase beyond 10% will be the responsibility of the employee. The employee portion of the monthly premium is \$11.16 for single and \$25.10 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, 2001
(Continued)**

NOTE 13 - RISK MANAGEMENT - (Continued)

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

The District also provides vision coverage for its employees on a fully-insured basis through Medical Mutual of Ohio. The total monthly premium is \$10.08 for single coverage and \$27.22 for family coverage. The District's portion of the monthly premium is \$5.14 for single coverage and \$15.28 for family coverage. This amount is also capped by negotiated union contracts and cannot be raised except through negotiated agreement. It was negotiated that the District's portion effective with the March 1, 2002 renewal will be increased up to a maximum of a 10% increase in the premium. Any increase beyond 10% will be the responsibility of the employee. The employee portion of the monthly premium is \$4.94 for single coverage and \$11.94 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 7 times higher.

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

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, 2001.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS - (Continued)

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Pre-School Latch Key</u>	<u>Total</u>
Operating revenue	\$ 391,761	\$ 7,302	\$52,533	\$ 451,596
Operating expenses before depreciation	498,043	8,425	46,964	553,432
Depreciation	6,283	---	468	6,751
Operating income (loss)	(112,565)	(1,123)	5,101	(108,587)
Operating grants	64,545	---	---	64,545
Net income (loss)	(12,461)	(1,123)	5,101	(8,483)
Net working capital	16,473	346	10,173	26,992
Total assets	131,598	346	19,147	151,091
Total liabilities	93,423	---	15,419	108,842
Total retained earnings (accumulated deficit)	(70,022)	346	3,728	(65,948)
Contributed capital	108,197	---	---	108,197
Total fund equity (deficit)	38,175	346	3,728	42,249

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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2001; 4.2 percent was the portion 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, 2001, 2000 and 1999 were \$219,120, \$215,191, and \$213,161, respectively; 50.00 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$109,563, representing the unpaid contribution for fiscal year 2001, 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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion 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, 2001, 2000, and 1999 were \$708,309, \$676,006, and \$648,312, respectively; 83.37 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$124,884, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2001, 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 STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS 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 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$227,671 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 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 25 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 9.8 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 2001, the minimum pay has been 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, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$177,761 during the 2001 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);
- (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).

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures				
Governmental Fund Types				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 36,778	\$(37,127)	\$142,096	\$(9,301,629)
Net adjustment for revenue accruals	165,569	589	(23,577)	10,098
Net adjustment for expenditure accruals	(119,816)	(6,107)	47,460	1,658,264
Net adjustment for other financing sources (uses)	(90,383)	---	---	---
Encumbrances (budget basis)	<u>168,646</u>	<u>6,000</u>	<u>---</u>	<u>445,019</u>
GAAP basis	<u>\$160,794</u>	<u>\$(36,645)</u>	<u>\$165,979</u>	<u>\$(7,188,248)</u>

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, 2001.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 18 - CONTINGENCIES - (Continued)

B. Litigation

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

C. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 31, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2001, the District had the following contractual commitments outstanding related to renovations and additions to the existing high school, new middle school, and upgraded athletic facilities. A summary of the primary contractual commitments follows.

	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment at June 30, 2001</u>
Bogner Construction	\$ 8,435,940	\$ 8,182,225	\$253,715
Black Box Construction	301,860	242,579	59,281
Bellwood Nursery	33,081	26,512	6,569
Mansfield Asphalt	11,360	0	11,360
Spring Electrical Construction	1,761,711	1,739,415	22,296
Stonecreek Interior	477,279	475,879	1,400
Steingass Mechanical	910,804	905,282	5,522
Universal Refrigeration	2,921,796	2,888,504	33,292
Marr Knapp & Crawfis Assoc.	<u>904,348</u>	<u>851,957</u>	<u>52,391</u>
Total	<u>\$15,758,179</u>	<u>\$15,312,353</u>	<u>\$445,826</u>

NOTE 20 - 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, 2001, the reserve activity was as follows:

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 20 - STATUTORY RESERVES - (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$(103,099)	\$ 0	\$137,349
Current year set-aside requirement	257,987	257,987	---
Elimination of non-BWC portion of the budget stabilization reserve	---	---	(83,947)
Current year offsets	---	---	---
Qualifying disbursements	<u>(362,411)</u>	<u>(705,388)</u>	<u>---</u>
Total	<u>\$(207,523)</u>	<u>\$(447,401)</u>	<u>\$ 53,402</u>
Cash balance carried forward to FY 2002	<u>\$(207,523)</u>	<u>\$ 0</u>	<u>\$ 53,402</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. The non-BWC (Bureau of Workers' Compensation) portion of monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the General Fund. On August 15, 2001, the Board passed a resolution authorizing the transfer of the non-BWC portion of the budget stabilization reserve to the General Fund unreserved/undesignated fund balance. The District is still required by State law to maintain the textbook reserve and the capital acquisition reserve.

Although the District has qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement of future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2001, follows:

Amount restricted for budget stabilization	<u>\$53,402</u>
Total restricted assets	<u>\$53,402</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(Continued)

NOTE 21 - SIGNIFICANT SUBSEQUENT EVENTS

Effective July 1, 2001, Daryl Hall was hired as Superintendent.

Effective September 1, 2001, Tom Wolff was hired as Assistant Superintendent.

The Board approved placing the renewal of the \$1,320,000 Emergency Levy on the ballot for November 6, 2001. The estimated millage is 4.3 mills, and it is a five year levy.

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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
457 Shelby-Ontario Road
Ontario, Ohio 44906

To the Board of Education:

We have audited the financial statements of the Ontario Local School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated October 31, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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*.

However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated October 31, 2001.

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

October 31, 2001



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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
NOVEMBER 15, 2001**