



Dave Yost • Auditor of State

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ontario Local School District, Richland County, Ohio, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ontario Local School District, Richland County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General 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 August 12, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

As further described in Note 3 to the basic financial statements, the District restated its July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

August 12, 2011

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The management's discussion and analysis of Ontario Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets increased \$437,576. Net assets of governmental activities increased \$434,506, which represents a 2.94% increase from 2010. Net assets of business-type activities increased \$3,070 or 8.07% from 2010.
- General revenues accounted for \$16,524,812 in revenue or 88.35% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$2,178,163 or 11.65% of total governmental activities revenues of \$18,702,975.
- The District had \$18,268,469 in expenses related to governmental activities; only \$2,178,163 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily property taxes and unrestricted grants and entitlements) of \$16,524,812 were used to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$15,207,772 in revenues and other financing sources, and \$14,933,592 in expenditures. The fund balance of the general fund increased from a restated balance of \$5,134,644 to \$5,457,623.
- The District's other major governmental fund is the debt service fund. The debt service fund had \$1,660,701 in revenues and \$1,516,418 in expenditures. The fund balance of the debt service fund increased from \$2,400,507 to \$2,544,790.

Using this Financial Report

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* except for fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The District's statement of net assets and statement of activities can be found on pages 15-17 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 18-22 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Proprietary Fund

The proprietary fund uses the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The proprietary fund financial statements can be found on pages 23-25 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 26 and 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-60 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2011 and 2010.

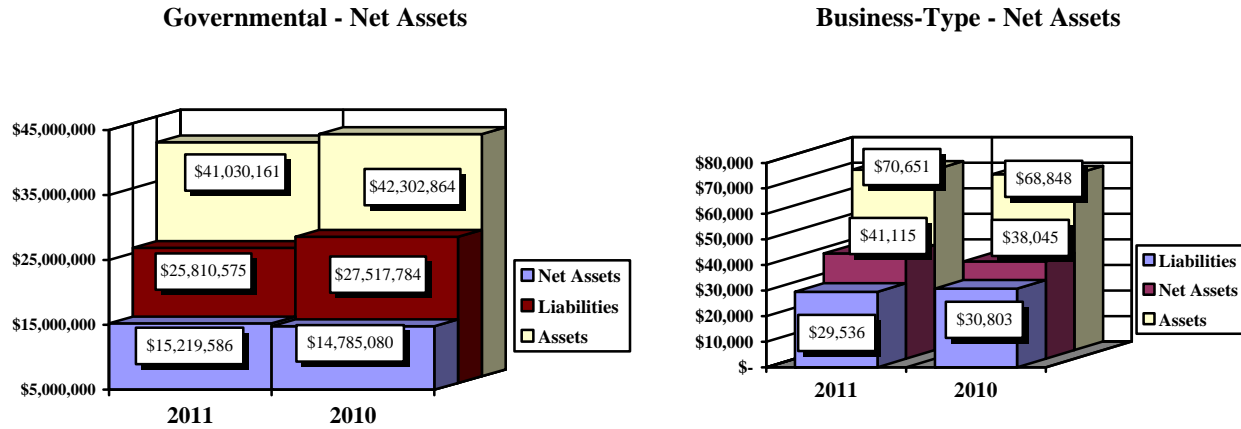
	Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<u>Assets</u>						
Current assets	\$ 18,453,052	\$ 19,246,622	\$ 61,564	\$ 59,196	\$ 18,514,616	\$ 19,305,818
Capital assets, net	<u>22,577,109</u>	<u>23,056,242</u>	<u>9,087</u>	<u>9,652</u>	<u>22,586,196</u>	<u>23,065,894</u>
Total assets	<u>41,030,161</u>	<u>42,302,864</u>	<u>70,651</u>	<u>68,848</u>	<u>41,100,812</u>	<u>42,371,712</u>
<u>Liabilities</u>						
Current liabilities	9,636,502	10,501,139	18,521	20,807	9,655,023	10,521,946
Long-term liabilities	<u>16,174,073</u>	<u>17,016,645</u>	<u>11,015</u>	<u>9,996</u>	<u>16,185,088</u>	<u>17,026,641</u>
Total liabilities	<u>25,810,575</u>	<u>27,517,784</u>	<u>29,536</u>	<u>30,803</u>	<u>25,840,111</u>	<u>27,548,587</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	8,330,018	8,038,699	9,087	9,652	8,339,105	8,048,351
Restricted	2,685,787	2,774,606	-	-	2,685,787	2,774,606
Unrestricted	<u>4,203,781</u>	<u>3,971,775</u>	<u>32,028</u>	<u>28,393</u>	<u>4,235,809</u>	<u>4,000,168</u>
Total net assets	<u>\$ 15,219,586</u>	<u>\$ 14,785,080</u>	<u>\$ 41,115</u>	<u>\$ 38,045</u>	<u>\$ 15,260,701</u>	<u>\$ 14,823,125</u>

Total governmental activities net assets increased by \$434,506.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The graph below shows the District's assets, liabilities and net assets at June 30, 2011 and 2010.



The table below shows the changes in net assets for fiscal years 2011 and 2010.

	Change in Net Assets					
	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 1,049,480	\$ 901,526	\$ 82,628	\$ 83,168	\$ 1,132,108	\$ 984,694
Operating grants and contributions	1,128,683	1,400,493	-	-	1,128,683	1,400,493
Capital grants and contributions	-	57,576	-	-	-	57,576
General revenues:						
Property taxes	10,544,668	9,664,178	-	-	10,544,668	9,664,178
Grants and entitlements not restricted	5,868,449	5,846,037	-	-	5,868,449	5,846,037
Investment earnings	82,592	154,048	-	-	82,592	154,048
Miscellaneous	29,103	18,539	-	-	29,103	18,539
Total revenues	18,702,975	18,042,397	82,628	83,168	18,785,603	18,125,565

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Expenses						
Program expenses:						
Instruction:						
Regular	\$ 7,244,337	\$ 7,149,236	\$ -	\$ -	\$ 7,244,337	\$ 7,149,236
Special	1,483,558	1,374,199	-	-	1,483,558	1,374,199
Vocational	242,044	201,590	-	-	242,044	201,590
Other	390,809	452,470	-	-	390,809	452,470
Support services:						
Pupil	939,798	961,943	-	-	939,798	961,943
Instructional staff	1,032,457	964,297	-	-	1,032,457	964,297
Board of education	55,143	39,548	-	-	55,143	39,548
Administration	1,368,527	1,358,406	-	-	1,368,527	1,358,406
Fiscal	529,280	579,674	-	-	529,280	579,674
Operations and maintenance	1,792,662	1,866,474	-	-	1,792,662	1,866,474
Pupil transportation	796,573	874,585	-	-	796,573	874,585
Central	41,387	40,956	-	-	41,387	40,956
Operation of non-instructional services:						
Food service operations	781,535	753,139	-	-	781,535	753,139
Other non-instructional services	5,428	11,248	-	-	5,428	11,248
Extracurricular activities	848,653	808,683	-	-	848,653	808,683
Interest and fiscal charges	716,278	759,669	-	-	716,278	759,669
Preschool/latchkey	-	-	79,558	76,461	79,558	76,461
Total expenses	<u>18,268,469</u>	<u>18,196,117</u>	<u>79,558</u>	<u>76,461</u>	<u>18,348,027</u>	<u>18,272,578</u>
Changes in net assets	434,506	(153,720)	3,070	6,707	437,576	(147,013)
Net assets at beginning of year	<u>14,785,080</u>	<u>14,938,800</u>	<u>38,045</u>	<u>31,338</u>	<u>14,823,125</u>	<u>14,970,138</u>
Net assets at end of year	<u>\$ 15,219,586</u>	<u>\$ 14,785,080</u>	<u>\$ 41,115</u>	<u>\$ 38,045</u>	<u>\$ 15,260,701</u>	<u>\$ 14,823,125</u>

Governmental Activities

Net assets of the District's governmental activities increased \$434,506. Total governmental expenses of \$18,268,469 were offset by program revenues of \$2,178,163, and general revenues of \$16,524,812. Program revenues supported 11.92% of the total governmental expenses.

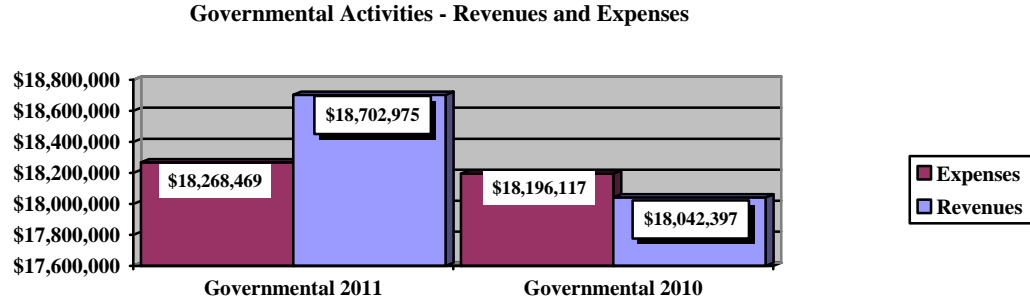
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 87.76% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,360,748 or 51.24% of total governmental expenses for fiscal year 2011.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.



The statement of activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2011 and 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program expenses:				
Instruction:				
Regular	\$ 7,244,337	\$ 6,826,128	\$ 7,149,236	\$ 6,933,162
Special	1,483,558	1,181,730	1,374,199	891,300
Vocational	242,044	227,767	201,590	187,419
Other	390,809	361,752	452,470	420,265

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

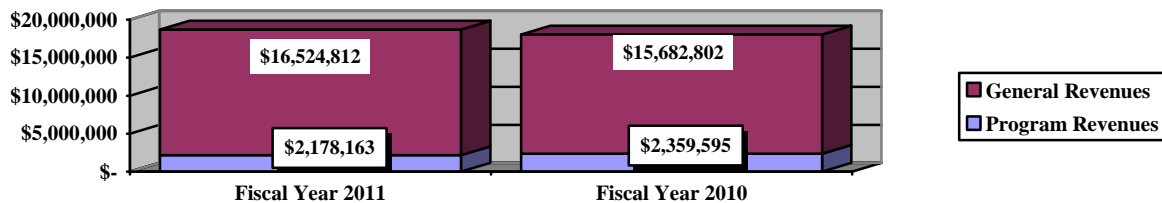
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Support services:				
Pupil	\$ 939,798	\$ 830,061	\$ 961,943	\$ 778,103
Instructional staff	1,032,457	875,989	964,297	574,043
Board of education	55,143	55,143	39,548	39,548
Administration	1,368,527	1,359,725	1,358,406	1,358,406
Fiscal	529,280	529,280	579,674	579,674
Operations and maintenance	1,792,662	1,769,363	1,866,474	1,839,248
Pupil transportation	796,573	774,267	874,585	850,434
Central	41,387	36,387	40,956	35,956
Operation of non-instructional services:				
Food service operations	781,535	25,799	753,139	56,852
Other non-instructional services	5,428	2,847	11,248	11,248
Extracurricular activities	848,653	517,790	808,683	521,195
Interest and fiscal charges	716,278	716,278	759,669	759,669
Total expenses	\$ 18,268,469	\$ 16,090,306	\$ 18,196,117	\$ 15,836,522

The dependence upon tax revenues during fiscal year 2011 for governmental activities is apparent, as 91.84% of 2011 instruction activities are supported through taxes and other general revenues. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.

Governmental Activities - General and Program Revenues



Business-Type Activities

Business-type activities include preschool/latchkey operations. These programs had revenues of \$82,628 and expenses of \$79,558 for fiscal year 2011. The District's business-type activities do not receive support from tax revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$8,129,848, which is \$443,809 greater than last year's total of \$7,686,039. The June 30, 2010 fund balance of the general fund and other governmental funds were restated for fund reclassifications required for the implementation of GASB Statement No. 54. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	Increase <u>(Decrease)</u>
General	\$ 5,457,623	\$ 5,134,644	\$ 322,979
Debt Service	2,544,790	2,400,507	144,283
Other governmental	<u>127,435</u>	<u>150,888</u>	<u>(23,453)</u>
Total	<u>\$ 8,129,848</u>	<u>\$ 7,686,039</u>	<u>\$ 443,809</u>

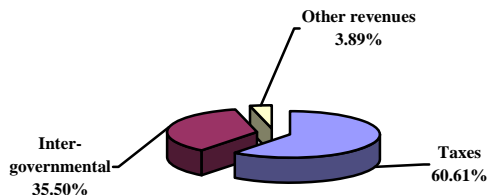
General Fund

The District's general fund balance increased \$322,979 during fiscal year 2011. The table that follows assists in illustrating the revenues of the general fund.

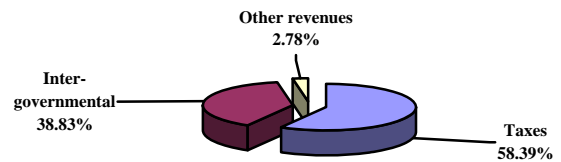
	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 9,185,262	\$ 8,061,671	13.94 %
Intergovernmental	5,380,566	5,361,590	0.35 %
Other revenues	<u>589,976</u>	<u>383,980</u>	53.65 %
Total	<u>\$ 15,155,804</u>	<u>\$ 13,807,241</u>	9.77 %

Tax revenue increased by \$1,123,591 or 13.94% from fiscal year 2010, partially due to an increase of \$458,994 in the amount of taxes available for advance, which is determined by timing of the tax bills sent by the County auditor. Intergovernmental revenue remained relatively unchanged, with an increase of only .35%.

Revenues - Fiscal Year 2011



Revenues - Fiscal Year 2010



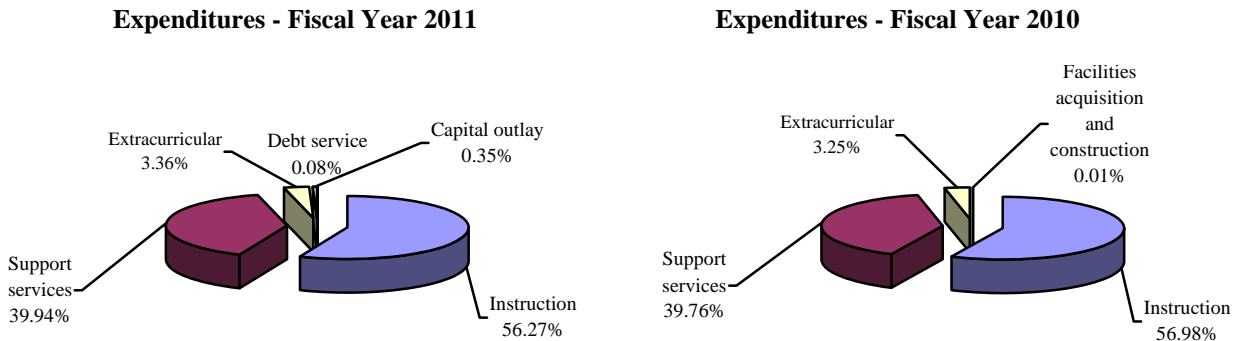
**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

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

<u>Expenditures</u>	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Percentage <u>Change</u>
Instruction	\$ 8,403,772	\$ 8,322,835	0.97 %
Support services	5,964,287	5,808,195	2.69 %
Extracurricular activities	502,028	474,397	5.82 %
Capital outlay	51,968	-	100.00 %
Debt service	11,537	-	100.00 %
Facilities acquisition and construction	-	1,918	(100.00) %
Total	<u>\$ 14,933,592</u>	<u>\$ 14,607,345</u>	2.23 %

Instruction and support services expenditures remained relatively consistent with 2011 experiencing increases primarily attributable to anticipated salary/wage increases. The increase in capital outlay and debt service expenditures was due to the District entering into a new capital lease for copier equipment during fiscal year 2011.



Debt service Fund

The District's other major governmental fund is the debt service fund. The debt service fund had \$1,660,701 in revenues and \$1,516,418 in expenditures. The fund balance of the debt service fund increased \$144,283 from \$2,400,507 to \$2,544,790.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$133,503 below actual revenues and other financing sources of \$14,463,854. The budgeted revenues and other financing sources were not amended during the year, so the original and final budgeted revenues were the same.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

General fund final appropriations were \$15,353,976. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$14,796,997, which was \$56,979 less than the final budget appropriations. The final appropriations were \$117,629 lower than the original appropriations.

Capital Assets and Debt Administration

Capital Assets

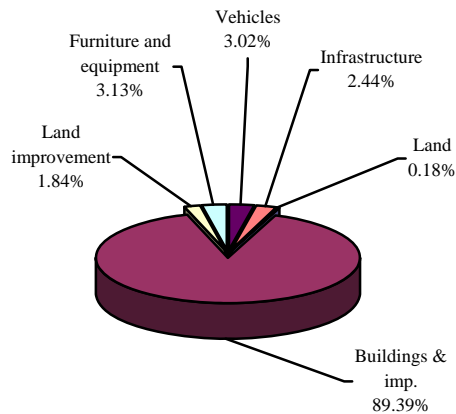
At the end of fiscal year 2011, the District had \$22,586,196 invested in land, land/improvements, buildings/improvements, furniture/equipment, vehicles, and infrastructure. \$22,577,109 was reported in the governmental activities and \$9,087 was reported in the business-type activities. The following table shows fiscal year 2011 balances compared to 2010:

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

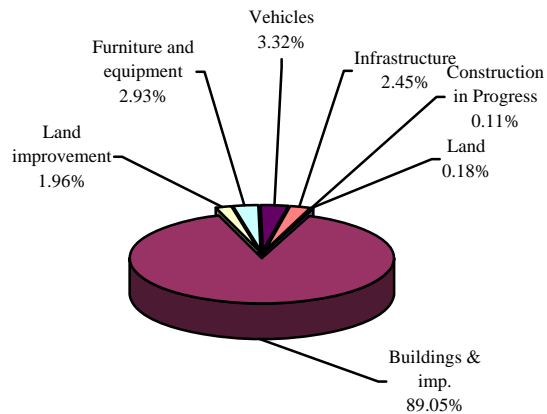
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 40,839	\$ 40,839	\$ -	\$ -	\$ 40,839	\$ 40,839
Land/improvements	416,425	451,188	9,087	9,652	425,512	460,840
Building/improvements	20,181,081	20,532,653	-	-	20,181,081	20,532,653
Furniture/equipment	705,685	676,167	-	-	705,685	676,167
Vehicles	682,828	765,184	-	-	682,828	765,184
Infrastructure	550,251	565,131	-	-	550,251	565,131
Construction in progress	-	25,080	-	-	-	25,080
Total	<u>\$ 22,577,109</u>	<u>\$ 23,056,242</u>	<u>\$ 9,087</u>	<u>\$ 9,652</u>	<u>\$ 22,586,196</u>	<u>\$ 23,065,894</u>

The following graphs show the breakdown of governmental activities capital assets by category for 2011 and 2010.

**Capital Assets - Governmental Activities
2011**



**Capital Assets - Governmental Activities
2010**



See Note 8 to the basic financial statements for detail on the District's capital assets.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Debt Administration

At June 30, 2011 the District had \$14,676,282 in general obligation bonds, capital leases and tax anticipation notes outstanding. The general obligation bond issue is comprised of current issue bonds and capital appreciation bonds. Of this total debt outstanding, \$1,064,555 is due within one year and \$13,611,727 is due in more than one year. The table that follows summarizes the bonds, leases, and notes outstanding:

Outstanding Debt, at June 30

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
Current interest bonds	\$ 13,390,000	\$ 14,315,000
Capital appreciation bonds	579,993	579,993
Capital appreciation bonds - accreted interest	535,858	391,154
Capital lease	40,431	-
Permanent Improvement tax anticipation note	<u>130,000</u>	<u>260,000</u>
Total	<u>\$ 14,676,282</u>	<u>\$ 15,546,147</u>

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

See Note 10 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The District has taken steps to reduce expenditures through personnel reductions, wage freezes, and other budgetary reductions. The District has also instituted an open enrollment policy and pay-to-participate policy for the 2011-2012 school year. The combination of these actions will help to offset the anticipated reductions in State funding for the next biennium.

The District currently has sufficient cash reserves, but even with the adjustments discussed previously, these reserves will be relied upon over the next several years in order for the district to operate. The main cause for this is the State's reduction of the Tangible Personal Property Hold Harmless payments along with stagnant State funding revenue and property tax collections. Additional reductions in expenditures will most likely be required.

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 7,822,877	\$ 61,564	\$ 7,884,441
Receivables:			
Property taxes	9,871,705	-	9,871,705
Payment in lieu of taxes	211,253	-	211,253
Accounts.	1,695	-	1,695
Accrued interest	5,379	-	5,379
Intergovernmental	184,217	-	184,217
Prepayments	2,563	-	2,563
Materials and supplies inventory.	246,700	-	246,700
Unamortized bond issuance costs	106,663	-	106,663
Capital assets:			
Land and construction in progress.	40,839	-	40,839
Depreciable capital assets, net.	22,536,270	9,087	22,545,357
Capital assets, net	<u>22,577,109</u>	<u>9,087</u>	<u>22,586,196</u>
Total assets.	<u>41,030,161</u>	<u>70,651</u>	<u>41,100,812</u>
Liabilities:			
Accounts payable.	21,829	-	21,829
Accrued wages and benefits	1,605,927	6,907	1,612,834
Pension obligation payable.	505,756	3,476	509,232
Intergovernmental payable	50,475	193	50,668
Unearned revenue	7,409,172	7,945	7,417,117
Accrued interest payable	43,343	-	43,343
Long-term liabilities:			
Due within one year.	1,174,248	-	1,174,248
Due in more than one year.	14,999,825	11,015	15,010,840
Total liabilities	<u>25,810,575</u>	<u>29,536</u>	<u>25,840,111</u>
Net Assets:			
Invested in capital assets, net of related debt.	8,330,018	9,087	8,339,105
Restricted for:			
Capital projects	68,572	-	68,572
Debt service.	2,544,790	-	2,544,790
Locally funded programs	4,029	-	4,029
Federally funded programs	3,197	-	3,197
Student activities	63,200	-	63,200
Other purposes	1,999	-	1,999
Unrestricted.	<u>4,203,781</u>	<u>32,028</u>	<u>4,235,809</u>
Total net assets	<u>\$ 15,219,586</u>	<u>\$ 41,115</u>	<u>\$ 15,260,701</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular	\$ 7,244,337	\$ 267,461	\$ 150,748
Special	1,483,558	-	301,828
Vocational	242,044	-	14,277
Other	390,809	-	29,057
Support services:			
Pupil	939,798	-	109,737
Instructional staff	1,032,457	-	156,468
Board of education	55,143	-	-
Administration	1,368,527	-	8,802
Fiscal	529,280	-	-
Operations and maintenance	1,792,662	23,299	-
Pupil transportation	796,573	-	22,306
Central	41,387	-	5,000
Operation of non-instructional services:			
Other non-instructional services	5,428	-	2,581
Food service operations	781,535	443,372	312,364
Extracurricular activities	848,653	315,348	15,515
Interest and fiscal charges	716,278	-	-
Total governmental activities	18,268,469	1,049,480	1,128,683
Business-type activities:			
Preschool/latchkey	79,558	82,628	-
Total business-type activities	79,558	82,628	-
Totals	\$ 18,348,027	\$ 1,132,108	\$ 1,128,683

General Revenues:

Property taxes levied for:	
General purposes	
Debt service	
Capital outlay	
Payments in lieu of taxes	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
Total general revenues	
Change in net assets	
Net assets at beginning of year	
Net assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-Type Activities	Total
\$ (6,826,128)	\$ -	\$ (6,826,128)
(1,181,730)	-	(1,181,730)
(227,767)	-	(227,767)
(361,752)	-	(361,752)
(830,061)	-	(830,061)
(875,989)	-	(875,989)
(55,143)	-	(55,143)
(1,359,725)	-	(1,359,725)
(529,280)	-	(529,280)
(1,769,363)	-	(1,769,363)
(774,267)	-	(774,267)
(36,387)	-	(36,387)
(2,847)	-	(2,847)
(25,799)	-	(25,799)
(517,790)	-	(517,790)
(716,278)	-	(716,278)
(16,090,306)	-	(16,090,306)
-	3,070	3,070
-	3,070	3,070
(16,090,306)	3,070	(16,087,236)
8,935,394	-	8,935,394
1,205,496	-	1,205,496
261,251	-	261,251
142,527	-	142,527
5,868,449	-	5,868,449
82,592	-	82,592
29,103	-	29,103
16,524,812	-	16,524,812
434,506	3,070	437,576
14,785,080	38,045	14,823,125
\$ 15,219,586	\$ 41,115	\$ 15,260,701

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 5,379,916	\$ 2,310,244	\$ 132,717	\$ 7,822,877
Receivables:				
Property taxes.	8,472,433	1,151,522	247,750	9,871,705
Payment in lieu of taxes	202,998	-	8,255	211,253
Accounts	1,695	-	-	1,695
Accrued interest	5,379	-	-	5,379
Intergovernmental.	78,706	-	105,511	184,217
Prepayments.	2,563	-	-	2,563
Materials and supplies inventory.	227,986	-	18,714	246,700
Total assets	<u>\$ 14,371,676</u>	<u>\$ 3,461,766</u>	<u>\$ 512,947</u>	<u>\$ 18,346,389</u>
Liabilities:				
Accounts payable	\$ 20,829	\$ -	\$ 1,000	\$ 21,829
Accrued wages and benefits.	1,512,280	-	93,647	1,605,927
Compensated absences payable	45,258	-	-	45,258
Intergovernmental payable	47,761	-	2,714	50,475
Unearned revenue.	6,366,816	855,365	186,991	7,409,172
Deferred revenue	456,940	61,611	59,573	578,124
Pension obligation payable	464,169	-	41,587	505,756
Total liabilities.	<u>8,914,053</u>	<u>916,976</u>	<u>385,512</u>	<u>10,216,541</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory.	227,986	-	18,714	246,700
Prepays.	2,563	-	-	2,563
Restricted:				
Debt service	-	2,544,790	-	2,544,790
Capital improvements	-	-	68,572	68,572
School supplies	-	-	1,711	1,711
Targeted academic assistance	-	-	3,197	3,197
Other purposes.	-	-	4,029	4,029
Committed:				
Extracurricular.	-	-	63,200	63,200
Assigned:				
Student and staff support.	76,819	-	-	76,819
Unassigned (deficit)	5,150,255	-	(31,988)	5,118,267
Total fund balances	<u>5,457,623</u>	<u>2,544,790</u>	<u>127,435</u>	<u>8,129,848</u>
Total liabilities and fund balances	<u>\$ 14,371,676</u>	<u>\$ 3,461,766</u>	<u>\$ 512,947</u>	<u>\$ 18,346,389</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	8,129,848
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			22,577,109
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	528,177	
Accrued interest receivable		3,630	
Intergovernmental receivable		46,317	
Total		578,124	578,124
Bond issuance costs are not recognized in the funds.			106,663
Unamortized premiums on bond issuance costs are not recognized in the funds.			(535,381)
Unamortized deferred charges are not recognized in the funds.			428,714
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(43,343)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(40,431)	
Compensated absences		(1,345,866)	
General obligation tax anticipation note payable		(130,000)	
General obligation bonds payable		(14,505,851)	
Total		(16,022,148)	(16,022,148)
Net assets of governmental activities		\$	<u>15,219,586</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 9,185,262	\$ 1,240,364	\$ 268,541	\$ 10,694,167
Payment in lieu of taxes	137,232	-	5,295	142,527
Tuition.	129,739	-	-	129,739
Earnings on investments	83,668	-	21	83,689
Charges for services	-	-	443,372	443,372
Extracurricular.	61,589	-	253,759	315,348
Classroom materials and fees	124,938	-	12,376	137,314
Rental income	23,299	-	-	23,299
Contributions and donations	8,488	-	21,789	30,277
Other local revenues	21,023	-	-	21,023
Intergovernmental - intermediate	-	-	5,495	5,495
Intergovernmental - state	5,331,212	420,337	122,876	5,874,425
Intergovernmental - federal	49,354	-	1,084,858	1,134,212
Total revenues	<u>15,155,804</u>	<u>1,660,701</u>	<u>2,218,382</u>	<u>19,034,887</u>
Expenditures:				
Current:				
Instruction:				
Regular.	6,734,780	-	151,542	6,886,322
Special	1,075,177	-	352,407	1,427,584
Vocational	232,059	-	-	232,059
Other	361,756	-	29,053	390,809
Support services:				
Pupil	800,225	-	115,845	916,070
Instructional staff	795,362	-	173,098	968,460
Board of education	55,143	-	-	55,143
Administration	1,302,593	-	8,802	1,311,395
Fiscal	490,959	27,300	5,673	523,932
Operations and maintenance	1,750,908	-	-	1,750,908
Pupil transportation	732,710	-	14,518	747,228
Central	36,387	-	5,000	41,387
Operation of non-instructional services:				
Operation of non-instructional	-	-	1,697	1,697
Food service operations.	-	-	728,417	728,417
Extracurricular activities	502,028	-	259,379	761,407
Facilities acquisition and construction.	-	-	250,077	250,077
Capital outlay	51,968	-	-	51,968
Debt service:				
Principal retirement.	11,537	925,000	130,000	1,066,537
Interest and fiscal charges	-	564,118	13,181	577,299
Total expenditures	<u>14,933,592</u>	<u>1,516,418</u>	<u>2,238,689</u>	<u>18,688,699</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>222,212</u>	<u>144,283</u>	<u>(20,307)</u>	<u>346,188</u>
Other financing sources:				
Capital lease transaction	51,968	-	-	51,968
Total other financing sources.	<u>51,968</u>	<u>-</u>	<u>-</u>	<u>51,968</u>
Net change in fund balances	274,180	144,283	(20,307)	398,156
Fund balances at beginning of year (restated).	5,134,644	2,400,507	150,888	7,686,039
Increase / (decrease) in reserve for inventory .	48,799	-	(3,146)	45,653
Fund balances at end of year.	<u>\$ 5,457,623</u>	<u>\$ 2,544,790</u>	<u>\$ 127,435</u>	<u>\$ 8,129,848</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$	398,156
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 353,534	
Current year depreciation	<u>(832,667)</u>	
Total		(479,133)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		45,653
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(292,026)	
Earnings on investments	(1,076)	
Intergovernmental	<u>(38,810)</u>	
Total		(331,912)
Repayment of bond, note, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:		
Bonds	925,000	
Notes	130,000	
Capital leases	<u>11,537</u>	
Total		1,066,537
Capital lease transactions are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.		
		(51,968)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	5,725	
Accreted interest on capital appreciation bonds	(144,704)	
Amortization of bond issuance costs	(15,892)	
Amortization of bond premiums	63,678	
Amortization of deferred charges	<u>(47,786)</u>	
Total		(138,979)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(73,848)</u>
Change in net assets of governmental activities	\$	<u>434,506</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 8,658,021	\$ 8,658,021	\$ 8,726,268	\$ 68,247
Tuition	106,000	106,000	129,739	23,739
Earnings on investments	100,000	100,000	97,341	(2,659)
Classroom materials and fees	106,000	106,000	97,297	(8,703)
Rental income	25,000	25,000	23,299	(1,701)
Contributions and donations	6,000	6,000	2,500	(3,500)
Other local revenues	12,625	12,625	12,764	139
Intergovernmental - state	5,279,955	5,279,955	5,331,212	51,257
Intergovernmental - federal	18,000	18,000	28,191	10,191
Total revenues	<u>14,311,601</u>	<u>14,311,601</u>	<u>14,448,611</u>	<u>137,010</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,898,804	6,860,506	6,710,563	149,943
Special	1,069,374	1,064,669	1,061,409	3,260
Vocational	231,944	230,924	230,535	389
Other	380,784	379,109	361,933	17,176
Support services:				
Pupil	813,409	809,830	721,939	87,891
Instructional staff	813,356	809,778	758,802	50,976
Board of education	70,966	70,654	55,837	14,817
Administration	1,405,504	1,399,320	1,353,823	45,497
Fiscal	539,746	537,371	492,475	44,896
Operations and maintenance	1,892,428	1,842,287	1,740,706	101,581
Pupil transportation	798,054	794,543	755,173	39,370
Central	42,091	41,906	32,893	9,013
Extracurricular activities	463,325	461,287	469,089	(7,802)
Facilities acquisition and construction	6,120	6,092	6,120	(28)
Total expenditures	<u>15,425,905</u>	<u>15,308,276</u>	<u>14,751,297</u>	<u>556,979</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,114,304)</u>	<u>(996,675)</u>	<u>(302,686)</u>	<u>693,989</u>
Other financing sources (uses):				
Refund of prior year's expenditures	17,750	17,750	15,243	(2,507)
Transfers (out)	(45,700)	(45,700)	(45,700)	-
Sale of capital assets	1,000	1,000	-	(1,000)
Total other financing sources (uses)	<u>(26,950)</u>	<u>(26,950)</u>	<u>(30,457)</u>	<u>(3,507)</u>
Net change in fund balance	(1,141,254)	(1,023,625)	(333,143)	690,482
Fund balance at beginning of year	5,569,054	5,569,054	5,569,054	-
Prior year encumbrances appropriated	33,824	33,824	33,824	-
Fund balance at end of year	<u>\$ 4,461,624</u>	<u>\$ 4,579,253</u>	<u>\$ 5,269,735</u>	<u>\$ 690,482</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>Nonmajor Enterprise Funds</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 61,564
Total current assets	<u>61,564</u>
Noncurrent assets:	
Depreciable capital assets, net	<u>9,087</u>
Total assets	<u>70,651</u>
Liabilities:	
Accrued wages and benefits	6,907
Pension obligation payable	3,476
Intergovernmental payable	193
Unearned revenue	<u>7,945</u>
Total current liabilities	<u>18,521</u>
Long-term liabilities:	
Compensated absences payable	<u>11,015</u>
Total long-term liabilities	<u>11,015</u>
Total liabilities	<u>29,536</u>
Net assets:	
Invested in capital assets	9,087
Unrestricted	<u>32,028</u>
Total net assets	<u>\$ 41,115</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT
 RICHLAND COUNTY, OHIO**
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 PROPRIETARY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Nonmajor Enterprise Funds
Operating revenues:	
Tuition and fees	\$ 82,628
Total operating revenues	82,628
Operating expenses:	
Personal services.	61,727
Purchased services.	14,013
Materials and supplies	3,253
Depreciation	565
Total operating expenses.	79,558
Change in net assets / operating income.	3,070
Net assets at beginning of year	38,045
Net assets at end of year.	\$ 41,115

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Nonmajor Enterprise Funds
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 79,948
Cash payments for personal services.	(60,314)
Cash payments for contractual services	(14,013)
Cash payments for materials and supplies	(3,253)
	2,368
Net cash provided by operating activities	2,368
Net increase in cash and cash cash equivalents	2,368
Cash and cash equivalents at beginning of year . . .	59,196
Cash and cash equivalents at end of year	\$ 61,564
	61,564
Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 3,070
Adjustments:	
Depreciation.	565
Changes in assets and liabilities:	
(Decrease) in accrued wages and benefits	(134)
Increase in intergovernmental payable.	33
Increase in compensated absences payable.	1,019
Increase in pension obligation payable.	495
(Decrease) in unearned revenue	(2,680)
	(2,680)
Net cash provided by operating activities.	\$ 2,368

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ONTARIO LOCAL SCHOOL DISTRICT
 RICHLAND COUNTY, OHIO**
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ -	\$ 79,713
Cash in segregated accounts.	<u>18,128</u>	<u>-</u>
Total assets.	<u>18,128</u>	<u>\$ 79,713</u>
Liabilities:		
Accounts payable.	-	\$ 1,000
Pension obligation payable.	-	156
Intergovernmental payable	-	6,838
Due to students.	<u>-</u>	<u>71,719</u>
Total liabilities	<u>-</u>	<u>\$ 79,713</u>
Net assets:		
Held in trust for scholarships	<u>18,128</u>	
Total net assets	<u>\$ 18,128</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 588
Gifts and contributions.	1,450
Total additions.	2,038
Deductions:	
Scholarships awarded	2,547
Change in net assets.	(509)
Net assets at beginning of year	18,637
Net assets at end of year.	\$ 18,128

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 66 classified, 107 certified teaching personnel and 10 administrators who provide services to 1,749 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary fund provided it does not conflict with or contradict GASB pronouncements. The District has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, to its business-type activities and to its proprietary fund. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

JOINTLY GOVERNED ORGANIZATION

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

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2011, the District paid \$147,948 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

INSURANCE PURCHASING POOL

Ohio Association of School Business Officials 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 Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrolment 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 \$714 in administrative fees during fiscal year 2011.

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

D. Basis of Accounting

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

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

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes and payments in lieu of taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue on the governmental fund financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated budget for all funds except agency funds. The specific timetable for fiscal year 2011 is as follows:

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

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2011.

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 comparison at the fund and function level of expenditures.

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2011. The amounts reported in the budgetary statement reflect the original and final appropriations, including all amendments.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level, which is the legal level of control.

F. Cash and Investments

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

During fiscal year 2011, investments were limited to federal agency securities, certificates of deposit, State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Government money market fund and an open-ended mutual fund. Investments are reported at fair value, which is based on quoted market prices, with the following exceptions: participating investment contracts such as certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

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 2011, interest revenue credited to the general fund amounted to \$83,668, which included \$26,553 assigned from other District funds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

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

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

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.A.

J. Compensated Absences

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

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

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

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

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

M. Operating Revenues and Expenses

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes represents monies restricted for uniform school supplies.

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

O. Prepayments

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

P. Estimates

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2011, the District did not incur any transactions that would be classified as an extraordinary item or special item.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Debt Service	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 5,060,548	\$ 2,400,507	\$ 224,984	\$ 7,686,039
Fund reclassification:				
Public school support fund	74,096	-	(74,096)	-
Restated fund balance at July 1, 2010	\$ 5,134,644	\$ 2,400,507	\$ 150,888	\$ 7,686,039

The fund reclassifications did not have an effect on net assets as previously reported.

C. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 9,043
Title I	4,496
Improving teacher quality	23

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**ONTARIO LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**ONTARIO LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$6,153,186. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$1,037,170 of the District's bank balance of \$6,197,313 was exposed to custodial risk as discussed below, while \$5,160,143 was covered by the FDIC.

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

C. Investments

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>24 to 60 months</u>
FNMA	\$ 802,516	\$ -	\$ -	\$ 250,408	\$ 250,150	\$ 301,958
FHLB	299,700	-	-	-	-	299,700
FFCB	600,198	-	-	-	300,141	300,057
U.S. Government						
money market	65,612	65,612	-	-	-	-
STAR Ohio	43,184	43,184	-	-	-	-
(Lincoln National Annuity)						
mutual fund	17,386	17,386	-	-	-	-
Total	\$ 1,828,596	\$ 126,182	\$ -	\$ 250,408	\$ 550,291	\$ 901,715

The weighted average maturity of investments is 2.29 years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 802,516	43.89
FHLB	299,700	16.39
FFCB	600,198	32.82
U.S. Government money market	65,612	3.59
STAR Ohio	43,184	2.36
(Lincoln National Annuity) mutual fund	<u>17,386</u>	<u>0.95</u>
Total	<u>\$ 1,828,596</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,153,186
Investments	1,828,596
Cash on hand	<u>500</u>
Total	<u>\$ 7,982,282</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,822,877
Business-type activities	61,564
Private-purpose trust fund	18,128
Agency funds	<u>79,713</u>
Total	<u>\$ 7,982,282</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Richland County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$1,725,698 in the general fund, \$234,546 in the debt service fund and \$50,463 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$1,266,704 in the general fund, \$173,797 in the debt service fund and \$37,012 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 301,168,100	97.95	\$ 300,036,710	97.82
Public utility personal	<u>6,314,730</u>	<u>2.05</u>	<u>6,677,080</u>	<u>2.18</u>
Total	<u>\$ 307,482,830</u>	<u>100.00</u>	<u>\$ 306,713,790</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation				
Operations	\$44.60		\$44.70	
Debt service	4.30		4.40	
Permanent improvement	1.00		1.00	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees) accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

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

Governmental activities:	
Property taxes	\$ 9,871,705
Accounts	1,695
Intergovernmental	184,217
Accrued interest	5,379
Payments in lieu of taxes	<u>211,253</u>
Total	<u>\$ 10,274,249</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7 - PAYMENT IN LIEU OF TAXES

The City of Ontario has entered into an agreement with a property owner under which the City granted property tax abatements to the property owner and agreed to construct certain infrastructure improvements. The property owner has agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. The District received \$142,527 in payments in lieu of taxes during fiscal year 2011.

NOTE 8 - CAPITAL ASSETS

A. Governmental activities

Capital asset activity for the governmental activities for the fiscal year ended June 30, 2011, was as follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2011</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 40,839	\$ -	\$ -	\$ 40,839
Construction in progress	<u>25,080</u>	<u>130,274</u>	<u>(155,354)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>65,919</u>	<u>130,274</u>	<u>(155,354)</u>	<u>40,839</u>
<i>Capital assets, being depreciated:</i>				
Land/improvements	1,066,955	9,875	-	1,076,830
Building/improvements	28,513,774	198,847	-	28,712,621
Furniture/equipment	2,158,817	153,276	-	2,312,093
Vehicles	1,670,223	16,616	-	1,686,839
Infrastructure	<u>708,701</u>	<u>-</u>	<u>-</u>	<u>708,701</u>
Total capital assets, being depreciated	<u>34,118,470</u>	<u>378,614</u>	<u>-</u>	<u>34,497,084</u>
<i>Less: accumulated depreciation</i>				
Land/improvements	(615,767)	(44,638)	-	(660,405)
Building/improvements	(7,981,121)	(550,419)	-	(8,531,540)
Furniture/equipment	(1,482,650)	(123,758)	-	(1,606,408)
Vehicles	(905,039)	(98,972)	-	(1,004,011)
Infrastructure	<u>(143,570)</u>	<u>(14,880)</u>	<u>-</u>	<u>(158,450)</u>
Total accumulated depreciation	<u>(11,128,147)</u>	<u>(832,667)</u>	<u>-</u>	<u>(11,960,814)</u>
Governmental activities capital assets, net	<u>\$ 23,056,242</u>	<u>\$ (323,779)</u>	<u>\$ (155,354)</u>	<u>\$ 22,577,109</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 377,474
Special	19,848
Vocational	9,985
<u>Support services:</u>	
Pupil	21,661
Instructional staff	59,580
Administration	22,437
Fiscal	4,194
Operations and maintenance	57,662
Pupil transportation	116,852
<u>Operation of non-instructional services:</u>	
Other non-instructional services	3,731
Food service operations	53,966
Extracurricular activities	<u>85,277</u>
Total depreciation expense	<u>\$ 832,667</u>

B. Business-Type Activities

Capital asset activity for the business-type activities for the fiscal year ended June 30, 2011, was as follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2011</u>
Business-type activities:				
Capital assets, being depreciated:				
Land improvements	\$ 11,300	\$ -	\$ -	\$ 11,300
Less: accumulated depreciation	<u>(1,648)</u>	<u>(565)</u>	<u>-</u>	<u>(2,213)</u>
Business-type activities capital assets, net	<u>\$ 9,652</u>	<u>\$ (565)</u>	<u>\$ -</u>	<u>\$ 9,087</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 9 - CAPITAL LEASES

During the current year, the District entered into a capitalized lease for copier equipment. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general fund. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$51,968. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2011 totaled \$11,537 by the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2011.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 11,537
2013	11,537
2014	11,537
2015	11,537
2016	<u>2,884</u>
Total minimum lease payments	49,032
Less: amount representing interest	<u>(8,601)</u>
Total	<u>\$ 40,431</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS

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

	Balance Outstanding July 1, 2010	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding June 30, 2011	Amount Due in One Year
<u>Governmental activities:</u>					
<u>General obligation bonds:</u>					
Series 1999, Construction					
Current interest bonds	\$ 1,450,000	\$ -	\$ (790,000)	\$ 660,000	\$ 35,000
Series 2006, Refunding					
Current interest bonds	9,535,000	-	(75,000)	9,460,000	80,000
Series 2006, Refunding					
Capital appreciation bonds	74,996	-	-	74,996	-
Series 2006, Refunding					
Capital appreciation bonds					
Accreted interest	166,084	63,628	-	229,712	-
Series 2007, Refunding					
Current interest bonds	3,330,000	-	(60,000)	3,270,000	-
Series 2007, Refunding					
Capital appreciation bonds	504,997	-	-	504,997	504,997
Series 2007, Refunding					
Capital appreciation bonds					
Accreted interest	225,070	81,076	-	306,146	306,146
<u>Other long-term obligations:</u>					
Capital lease	-	51,968	(11,537)	40,431	8,412
Permanent Improvement					
tax anticipation note	260,000	-	(130,000)	130,000	130,000
Compensated absences	1,347,939	184,958	(141,773)	1,391,124	109,693
Total	<u>\$ 16,894,086</u>	<u>\$ 381,630</u>	<u>\$ (1,208,310)</u>	16,067,406	<u>\$ 1,174,248</u>
Less: deferred charges on refunding				(428,714)	
Add: unamortized premiums				<u>535,381</u>	
Total on statement of net assets				<u>\$ 16,174,073</u>	
<u>Business-Type Activities</u>					
Compensated absences	<u>\$ 9,996</u>	<u>\$ 1,019</u>	<u>\$ -</u>	<u>\$ 11,015</u>	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

<u>Year Ended</u>	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 35,000	\$ 34,534	\$ 69,534
2013	40,000	42,519	82,519
2014	40,000	40,369	80,369
2015	45,000	28,086	73,086
2016	45,000	25,666	70,666
2017 - 2021	260,000	89,225	349,225
2022 - 2024	195,000	16,059	211,059
Total	\$ 660,000	\$ 276,458	\$ 936,458

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

The refunding issue is comprised of both current interest bonds, par value \$9,925,000 and capital appreciation bonds, par value \$74,996. The interest rates on the current interest bonds range from 3.50% to 4.75%. The capital appreciation bonds mature December 1, 2016 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,105,000. Total accreted interest of \$229,712 has been included in the statement of net assets.

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

**ONTARIO LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 80,000	\$ 380,248	\$ 460,248	\$ -	\$ -	\$ -
2013	80,000	377,247	457,247	-	-	-
2014	85,000	374,153	459,153	-	-	-
2015	85,000	370,860	455,860	-	-	-
2016	435,000	358,829	793,829	-	-	-
2017 - 2021	4,675,000	1,377,787	6,052,787	74,996	1,030,004	1,105,000
2022 - 2024	4,020,000	247,343	4,267,343	-	-	-
Total	<u>\$ 9,460,000</u>	<u>\$ 3,486,467</u>	<u>\$ 12,946,467</u>	<u>\$ 74,996</u>	<u>\$ 1,030,004</u>	<u>\$ 1,105,000</u>

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

The refunding issue is comprised of both current interest bonds, par value \$3,515,000 and capital appreciation bonds, par value \$504,997. The interest rates on the current interest bonds range from 3.55% to 3.875%. The capital appreciation bonds mature December 1, 2011 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$855,000. Total accreted interest of \$306,146 has been included in the statement of net assets.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 125,624	\$ 125,624	\$ 504,997	\$ 350,003	\$ 855,000
2013	855,000	109,613	964,613	-	-	-
2014	885,000	76,435	961,435	-	-	-
2015	920,000	41,463	961,463	-	-	-
2016	610,000	11,819	621,819	-	-	-
Total	\$ 3,270,000	\$ 364,954	\$ 3,634,954	\$ 504,997	\$ 350,003	\$ 855,000

- E. During fiscal year 2007, the District issued a permanent improvement tax anticipation note for \$650,000. The note was issued for the purpose of providing funds for permanent improvements pursuant to Ohio Rev. Code Section 5705.21 and in anticipation of the collection of the remainder of an additional one mil voted property tax levy.

The following is a description of the notes payable outstanding at June 30, 2011:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1, 2010</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>
Permanent improvement tax anticipation note	5.00%	03/01/07	12/01/11	\$ 260,000	\$ (130,000)	\$ 130,000

The following is a summary of the District's future annual debt service requirements to maturity for the Permanent improvement tax anticipation notes:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 130,000	\$ 6,500	\$ 136,500
Total	\$ 130,000	\$ 6,500	\$ 136,500

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$16,049,038 (including available funds of \$2,544,790) and an unvoted debt margin of \$306,714.

NOTE 11 - 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 22.22% of the accrued sick leave days.

NOTE 12 - 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 2011, the District contracted with Ohio Casualty Insurance Company for property insurance coverage in the blanket amount of \$64,281,145 with agreed amount, 100% coinsurance, replacement cost endorsement and a \$1,000 deductible. Boiler and machinery coverage is also provided with blanket coverage in the amount of \$64,281,145 with a \$1,000 deductible. The District inland marine coverage amount is \$100,000 for electronic data processing and \$400,000 for tractors, band uniforms, athletic equipment, musical instruments, audio/visual equipment and signs. The inland marine coverage has a \$500 deductible.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 12 - RISK MANAGEMENT - (Continued)

Vehicles are covered by Ohio Casualty Insurance Company and hold a \$500 deductible for comprehensive and for collision. Automobile liability has a \$1,000,000 combined single limit of liability. An umbrella liability coverage is provided above the above stated base liability coverage for general and fleet liability in the amount of \$5,000,000 with a \$10,000 self-insured retention.

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

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

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

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

Ohio Casualty Insurance Company provides school law enforcement liability coverage on an claims made form with \$1,000,000 limit with a \$2,500 deductible.

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

B. Employee Dishonesty Bonds

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

C. Workers' Compensation

The District participates in the Ohio Association of School Business Officials 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. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 12 - RISK MANAGEMENT - (Continued)

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 AIG Life Insurance Company in the amount of \$50,000. Administrators and central office personnel coverage is in the amount of \$125,000.

The District has elected to provide a comprehensive medical benefits package to the employees through a fully-insured program. This package provides a comprehensive medical plan with a \$300 single and \$600 family deductible. Included in the plan is a prescription drug card with a \$10 per prescription copay for generic drugs, a \$25 per prescription copay for formulary drugs and a \$40 per prescription copay for brand drugs. The medical and prescription drug card plan are administered by Medical Mutual of Ohio located in Cleveland, Ohio. The total monthly premium paid for the medical and prescription drug plan is \$494.00 for single coverage and \$1,333.89 for family coverage. The District portion of the monthly premium is \$436.75 for single coverage and \$1,174.33 for family coverage which is paid out of the same fund that pays the salary for the employee. The District's amounts are capped by negotiated union contracts and cannot be increased except through negotiations. The employee monthly portion of the premium is \$57.25 for single coverage and \$159.56 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 \$31.59 for single and \$85.31 for family coverage. The District's portion of the monthly premium is \$18.69 for single and \$55.56 for family coverage. Like the medical premium, this amount is also capped by negotiated union contracts and cannot be raised except through negotiated agreement. The employee portion of the monthly premium is \$12.90 for single and \$29.75 for family coverage which is withheld from their biweekly payroll.

The District also provides vision coverage for its employees on a fully-insured basis through Medical Mutual of Ohio. The total monthly premium is \$6.65 for single coverage and \$17.96 for family coverage. The District's portion of the monthly premium is \$2.63 for single coverage and \$8.56 for family coverage. This amount is also capped by negotiated union contracts and cannot be raised except through negotiated agreement. The employee portion of the monthly premium is \$4.02 for single coverage and \$9.40 for family coverage which is withheld from their biweekly payroll.

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

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$219,679, \$253,122 and \$165,592, respectively; 51.27 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$901,537, \$888,461 and \$890,050, respectively; 81.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$56,688, \$36,725 and \$104,181, respectively; 51.27 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$14,137, \$13,982 and \$13,663 respectively; 51.27 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$69,349, \$68,343 and \$68,465, respectively; 81.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure; and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 - 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 general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (333,143)
Net adjustment for revenue accruals	631,610
Net adjustment for expenditure accruals	(121,372)
Net adjustment for other sources/uses	82,425
Funds budgeted elsewhere **	1,780
Adjustment for encumbrances	<u>12,880</u>
GAAP basis	<u>\$ 274,180</u>

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

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - 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, 2011, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	273,451	273,451
Current year qualifying expenditures	(215,426)	(568,753)
Excess qualified expenditures from prior years	<u>(820,023)</u>	<u>-</u>
Total	<u>\$ (761,998)</u>	<u>\$ (295,302)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>

For the textbooks reserve, qualifying expenditures exceeded the set-aside requirement. Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This negative balance is therefore not presented as being carried forward to future fiscal years. For the capital improvements reserve, qualifying expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

NOTE 18 - SIGNIFICANT SUBSEQUENT EVENT

Effective August 1, 2011, Lisa Carmichael became the new Superintendent, replacing Daryl Hall.

ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Passed Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>						
<i>(Passed through the Ohio Department of Education)</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	N/A	\$23,748		\$23,748	
National School Lunch Program	10.555	N/A	<u>177,162</u>	<u>\$75,873</u>	<u>177,162</u>	<u>\$75,873</u>
Total Child Nutrition Cluster/U.S. Department of Agriculture			200,910	75,873	200,910	75,873
<u>U.S. Department of Education</u>						
<i>(Passed through the Ohio Department of Education)</i>						
Title I Cluster:						
Title I Grants to Local Educational Agencies	84.010	2010	21,863		22,241	
		2011	<u>125,189</u>		<u>120,758</u>	
Total Title I Grants to Local Educational Agencies			147,052		142,999	
ARRA - Title I Grants to Local Educational Agencies	84.389	2011	<u>54,032</u>		<u>49,721</u>	
Total Title I Cluster			201,084		192,720	
Special Education Cluster:						
Special Education_Grants to States	84.027	2010	21,664		23,996	
		2011	<u>242,988</u>		<u>234,235</u>	
Total Special Education_Grants to States			264,652		258,231	
ARRA - Special Education Grants to States	84.391	2010	<u>91,095</u>		<u>99,088</u>	
Total Special Education Cluster			355,747		357,319	
Education Technology State Grants	84.318	2011	457		457	
Improving Teacher Quality State Grants	84.367	2011	39,185		39,185	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	2011	189,270		189,270	
Education Jobs Fund	84.410	2011	<u>66,664</u>		<u>66,664</u>	
Total U.S. Department of Education			852,407		845,615	
Totals			<u>\$1,053,317</u>	<u>\$75,873</u>	<u>\$1,046,525</u>	<u>\$75,873</u>

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

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ontario Local School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 12, 2011. We noted governmental fund balances were restated due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Dave Yost
Auditor of State

August 12, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Ontario Local School District, Richland County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Ontario Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated August 12, 2011.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

August 12, 2011

**ONTARIO LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education_Grants to States CFDA # 84.027 and ARRA - Special Education Grants to States CFDA # 84.391
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Ontario Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 12, 2011

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Dave Yost • Auditor of State

ONTARIO LOCAL SCHOOL DISTRICT

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 6, 2011