



**Mary Taylor, CPA**  
Auditor of State



**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet	
Governmental Funds .....	18
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	22
Statement of Net Assets – Proprietary Fund .....	23
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund .....	24
Statement of Cash Flows – Proprietary Fund .....	25
Statement of Fiduciary Net Assets – Fiduciary Funds .....	26
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	27
Notes to the Basic Financial Statements .....	29
Federal Awards Receipts and Expenditures Schedule.....	61
Notes to the Federal Awards Receipts and Expenditures Schedule .....	62
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	63
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	65
Schedule of Findings.....	67
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	69

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# Mary Taylor, CPA

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, 2009, 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, 2009, 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 October 16, 2009, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by 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. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 16, 2009

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(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, 2009. 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 2009 are as follows:

- In total, net assets increased \$93,835. Net assets of governmental activities increased \$90,237, which represents a 0.61% increase from 2008. Net assets of business-type activities increased \$3,598 or 12.97% from 2008.
- General revenues accounted for \$16,360,470 in revenue or 88.93% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,035,860 or 11.07% of total governmental activities revenues of \$18,396,330.
- The District had \$18,306,093 in expenses related to governmental activities; only \$2,035,860 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,360,470 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 \$15,045,042 in revenues and \$15,128,964 in expenditures and other financing uses. The fund balance of the general fund decreased from \$6,033,379 to \$5,944,621.
- The District's other major governmental fund is the debt service fund. The debt service fund had \$1,714,802 in revenues and \$1,518,607 in expenditures. The fund balance of the debt service fund increased from \$2,238,580 to \$2,434,775.

**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, 2009  
(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 2009?" 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, 2009  
(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 2009 and 2008.

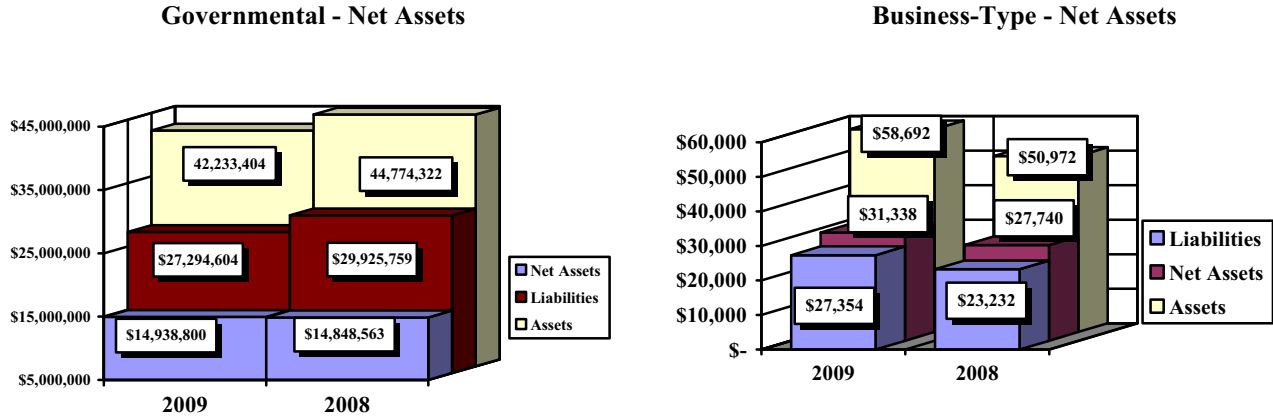
	<b>Net Assets</b>					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b><u>Assets</u></b>						
Current assets	\$ 18,628,173	\$ 20,602,228	\$ 48,475	\$ 40,190	\$ 18,676,648	\$ 20,642,418
Capital assets, net	<u>23,605,231</u>	<u>24,172,094</u>	<u>10,217</u>	<u>10,782</u>	<u>23,615,448</u>	<u>24,182,876</u>
Total assets	<u>42,233,404</u>	<u>44,774,322</u>	<u>58,692</u>	<u>50,972</u>	<u>42,292,096</u>	<u>44,825,294</u>
<b><u>Liabilities</u></b>						
Current liabilities	9,390,080	11,103,495	17,579	14,221	9,407,659	11,117,716
Long-term liabilities	<u>17,904,524</u>	<u>18,822,264</u>	<u>9,775</u>	<u>9,011</u>	<u>17,914,299</u>	<u>18,831,275</u>
Total liabilities	<u>27,294,604</u>	<u>29,925,759</u>	<u>27,354</u>	<u>23,232</u>	<u>27,321,958</u>	<u>29,948,991</u>
<b><u>Net Assets</u></b>						
Invested in capital assets, net of related debt	7,681,787	7,542,095	10,217	10,782	7,692,004	7,552,877
Restricted	2,700,640	2,532,284	-	-	2,700,640	2,532,284
Unrestricted	<u>4,556,373</u>	<u>4,774,184</u>	<u>21,121</u>	<u>16,958</u>	<u>4,577,494</u>	<u>4,791,142</u>
Total net assets	<u>\$ 14,938,800</u>	<u>\$ 14,848,563</u>	<u>\$ 31,338</u>	<u>\$ 27,740</u>	<u>\$ 14,970,138</u>	<u>\$ 14,876,303</u>

Total governmental activities net assets increased by \$90,237.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)

The graph below shows the District's assets, liabilities and net assets at June 30, 2009 and 2008.



The table below shows the changes in net assets for fiscal years 2009 and 2008.

	<b>Change in Net Assets</b>					
	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 1,092,164	\$ 1,087,782	\$ 82,605	\$ 64,432	\$ 1,174,769	\$ 1,152,214
Operating grants and contributions	907,733	898,836	-	-	907,733	898,836
Capital grants and contributions	35,963	46,799	-	-	35,963	46,799
General revenues:						
Property taxes	10,700,357	12,579,015	-	-	10,700,357	12,579,015
Grants and entitlements not restricted	5,338,214	4,663,419	-	-	5,338,214	4,663,419
Investment earnings	298,665	393,115	-	-	298,665	393,115
Miscellaneous	23,234	19,119	-	-	23,234	19,119
<b>Total revenues</b>	<b>18,396,330</b>	<b>19,688,085</b>	<b>82,605</b>	<b>64,432</b>	<b>18,478,935</b>	<b>19,752,517</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
<b>Expenses</b>						
Program expenses:						
Instruction:						
Regular	\$ 7,061,489	\$ 6,755,368	\$ -	\$ -	\$ 7,061,489	\$ 6,755,368
Special	1,292,675	1,185,760	-	-	1,292,675	1,185,760
Vocational	276,117	303,549	-	-	276,117	303,549
Other	372,801	330,631	-	-	372,801	330,631
Support services:						
Pupil	980,183	921,276	-	-	980,183	921,276
Instructional staff	1,013,886	929,516	-	-	1,013,886	929,516
Board of education	47,715	38,541	-	-	47,715	38,541
Administration	1,276,302	1,292,120	-	-	1,276,302	1,292,120
Fiscal	561,004	575,113	-	-	561,004	575,113
Operations and maintenance	2,155,369	2,012,444	-	-	2,155,369	2,012,444
Pupil transportation	944,073	620,703	-	-	944,073	620,703
Central	40,659	31,350	-	-	40,659	31,350
Operation of non-instructional services:						
Food service operations	695,087	697,471	-	-	695,087	697,471
Other non-instructional services	21,487	3,780	-	-	21,487	3,780
Extracurricular activities	794,311	764,681	-	-	794,311	764,681
Interest and fiscal charges	772,935	823,531	-	-	772,935	823,531
Preschool/latchkey	-	-	79,007	61,242	79,007	61,242
Total expenses	<u>18,306,093</u>	<u>17,285,834</u>	<u>79,007</u>	<u>61,242</u>	<u>18,385,100</u>	<u>17,347,076</u>
Changes in net assets	90,237	2,402,251	3,598	3,190	93,835	2,405,441
Net assets at beginning of year	<u>14,848,563</u>	<u>12,446,312</u>	<u>27,740</u>	<u>24,550</u>	<u>14,876,303</u>	<u>12,470,862</u>
Net assets at end of year	<u>\$ 14,938,800</u>	<u>\$ 14,848,563</u>	<u>\$ 31,338</u>	<u>\$ 27,740</u>	<u>\$ 14,970,138</u>	<u>\$ 14,876,303</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$90,237. Total governmental expenses of \$18,306,093 were offset by program revenues of \$2,035,860, and general revenues of \$16,360,470. Program revenues supported 11.12% of the total governmental expenses.

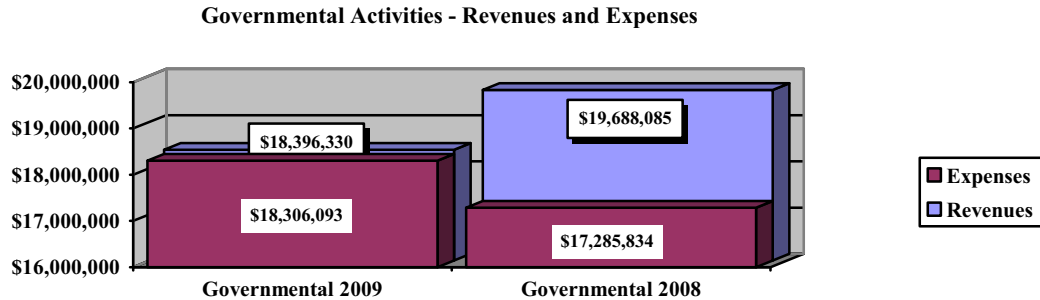
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 87.18% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,003,082 or 49.18% of total governmental expenses for fiscal year 2009.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2009 and 2008. 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 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses:				
Instruction:				
Regular	\$ 7,061,489	\$ 6,691,840	\$ 6,755,368	\$ 6,385,312
Special	1,292,675	864,938	1,185,760	801,518
Vocational	276,117	262,052	303,549	293,810
Other	372,801	357,106	330,631	312,446

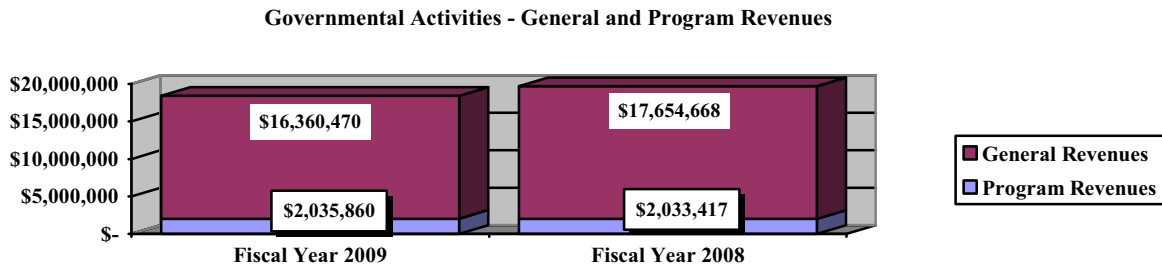
**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Support services:				
Pupil	\$ 980,183	\$ 857,604	\$ 921,276	\$ 815,727
Instructional staff	1,013,886	877,178	929,516	703,151
Board of education	47,715	47,715	38,541	38,541
Administration	1,276,302	1,276,302	1,292,120	1,292,120
Fiscal	561,004	559,858	575,113	570,714
Operations and maintenance	2,155,369	2,123,857	2,012,444	1,990,497
Pupil transportation	944,073	901,898	620,703	591,760
Central	40,659	35,468	31,350	25,281
Operation of non-instructional services:				
Food service operations	695,087	69,270	697,471	112,596
Other non-instructional services	21,487	18,245	3,780	3,780
Extracurricular activities	794,311	553,967	764,681	491,633
Interest and fiscal charges	<u>772,935</u>	<u>772,935</u>	<u>823,531</u>	<u>823,531</u>
Total expenses	<u>\$ 18,306,093</u>	<u>\$ 16,270,233</u>	<u>\$ 17,285,834</u>	<u>\$ 15,252,417</u>

The dependence upon tax revenues during fiscal year 2009 for governmental activities is apparent, as 90.81% of 2009 instruction activities are supported through taxes and other general revenues. The District's taxpayers, as a whole, are by far the primary support for the District's students, of which businesses pay 63% and residents pay 37% of the total taxes.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.



**Business-Type Activities**

Business-type activities include preschool/latchkey operations. These programs had revenues of \$82,605 and expenses of \$79,007 for fiscal year 2009. 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, 2009  
(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 \$8,541,064, which is above last year's total of \$8,450,528. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	<u>Fund Balance</u> <u>June 30, 2009</u>	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 5,944,621	\$ 6,033,379	\$ (88,758)
Debt service	2,434,775	2,238,580	196,195
Other governmental	<u>161,668</u>	<u>178,569</u>	<u>(16,901)</u>
Total	<u>\$ 8,541,064</u>	<u>\$ 8,450,528</u>	<u>\$ 90,536</u>

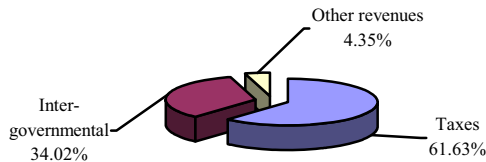
**General Fund**

The District's general fund balance decreased \$88,758 during fiscal year 2009. The table that follows assists in illustrating the revenues of the general fund.

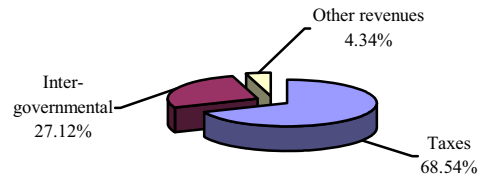
	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 9,272,792	\$ 10,638,563	(12.84) %
Intergovernmental	5,118,511	4,208,188	21.63 %
Other revenues	<u>653,739</u>	<u>672,934</u>	(2.85) %
Total	<u>\$ 15,045,042</u>	<u>\$ 15,519,685</u>	(3.06) %

Tax revenue decreased by \$1,365,771 or 12.84% from fiscal year 2008, due to the phase out of tangible personal property tax revenue. Intergovernmental revenue increased \$910,323 or 21.63% from the prior year. This increase is attributed to the State reimbursement of the Tangible Personal Property Hold Harmless payment which began in fiscal year 2008.

**Revenues - Fiscal Year 2009**



**Revenues - Fiscal Year 2008**



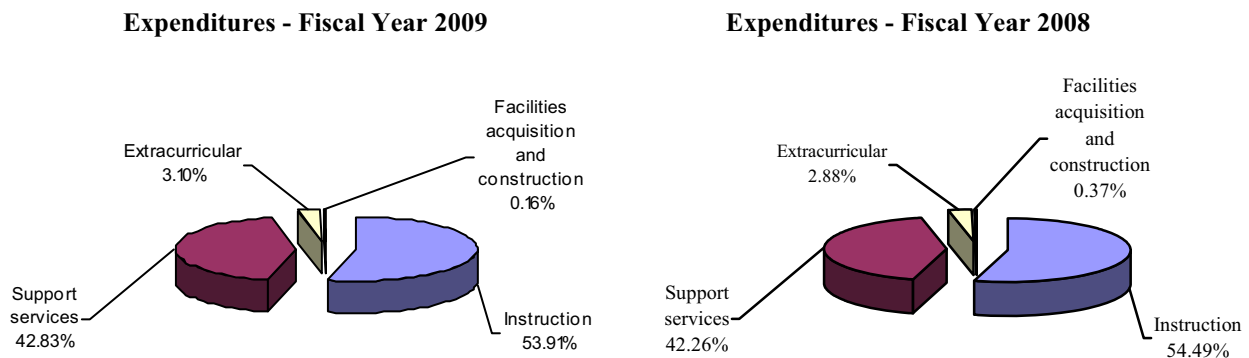
**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)

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

<u>Expenditures</u>	<u>2009 Amount</u>	<u>2008 Amount</u>	<u>Percentage Change</u>
Instruction	\$ 8,138,498	\$ 7,733,250	5.24 %
Support services	6,465,512	5,998,292	7.79 %
Extracurricular activities	467,889	408,477	14.54 %
Facilities acquisition and construction	<u>24,495</u>	<u>52,844</u>	(53.65) %
Total	<u>\$ 15,096,394</u>	<u>\$ 14,192,863</u>	6.37 %

Instruction and support services expenditures remained relatively consistent with 2009 experiencing increases primarily attributable to anticipated salary/wage increases and the purchase of two new buses. The decrease in facilities acquisition and construction expenditures were caused by an increase in maintenance and repair costs in 2008, specifically repairs to a transformer and the installation of magnetic security locks for the buildings.



***Debt Service Fund***

The District's other major governmental fund is the debt service fund. The debt service fund had \$1,714,802 in revenues and \$1,518,607 in expenditures. The fund balance of the debt service fund increased \$196,195 from \$2,238,580 to \$2,434,775.

***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 2009, 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 \$231,754 below actual revenues and other financing sources of \$15,327,836. Of this difference, \$136,938 was due to tax revenue estimates in the final budget. The original budgeted revenues and other financing sources were \$360,207 lower than the final budgeted revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)

General fund final appropriations were \$15,265,208. The actual budget basis expenditures for fiscal year 2009 totaled \$15,168,547, which was \$96,661 less than the final budget appropriations. This occurred primarily because salary and benefit costs proved to be lower than anticipated in the original and final budget. There was very little change between the original and final budgeted appropriations. The final appropriations were \$48,133 lower than the original appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

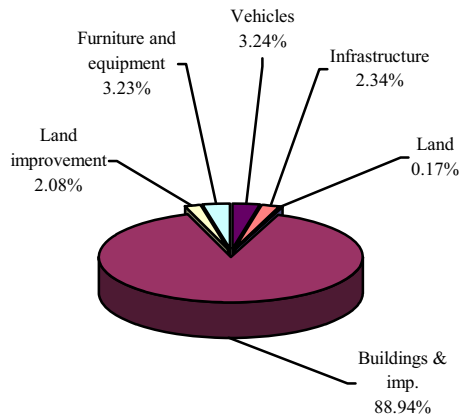
At the end of fiscal year 2009, the District had \$23,615,448 invested in land, land/improvements, buildings/improvements, furniture/equipment, vehicles, and infrastructure. \$23,605,231 was reported in the governmental activities and \$10,217 was reported in the business-type activities. The following table shows fiscal year 2009 balances compared to 2008:

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

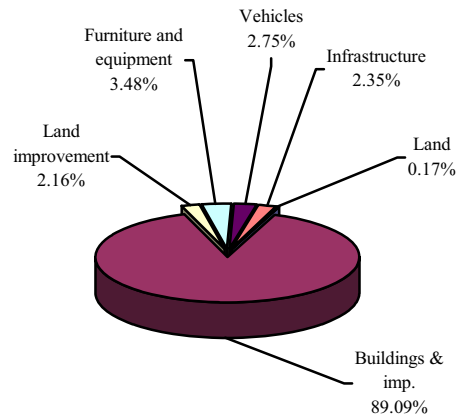
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 40,839	\$ 40,839	\$ -	\$ -	\$ 40,839	\$ 40,839
Land/improvements	490,293	521,034	10,217	10,782	500,510	531,816
Building/improvements	20,994,311	21,536,992	-	-	20,994,311	21,536,992
Furniture/equipment	762,364	841,263	-	-	762,364	841,263
Vehicles	764,172	664,904	-	-	764,172	664,904
Infrastructure	553,252	567,062	-	-	553,252	567,062
<b>Total</b>	<b><u>\$ 23,605,231</u></b>	<b><u>\$ 24,172,094</u></b>	<b><u>\$ 10,217</u></b>	<b><u>\$ 10,782</u></b>	<b><u>\$ 23,615,448</u></b>	<b><u>\$ 24,182,876</u></b>

The following graphs show the breakdown of governmental activities capital assets by category for 2009 and 2008.

**Capital Assets - Governmental Activities  
2009**



**Capital Assets - Governmental Activities  
2008**



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, 2009  
(UNAUDITED)

***Debt Administration***

At June 30, 2009 the District had \$16,442,832 in general obligation bonds and tax anticipation notes outstanding. The general obligation bond issue is comprised of current issue bonds and capital appreciation bonds. Of this total, \$1,020,000 is due within one year and \$15,422,832 is due in more than one year. The table that follows summarizes the bonds and notes outstanding:

**Outstanding Debt, at June 30**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
Current interest bonds	\$ 15,205,000	\$ 16,050,000
Capital appreciation bonds	579,993	579,993
Capital appreciation bonds - accreted interest	267,839	162,331
Permanent Improvement tax anticipation note	<u>390,000</u>	<u>520,000</u>
Total	<u>\$ 16,442,832</u>	<u>\$ 17,312,324</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 9 to the basic financial statements for detail on the District's debt administration.

**Current Financial Related Activities**

Because of the current General Fund carryover balance, the District has adequate funds to operate in the short term, but there are concerns about future revenue. The first concern is the State's ability to provide future revenue. The State has determined to cut their funding to the District by one percent and two percent in their next biennial budget. The reduction would have been seven percent and eight percent without the Federal Stimulus Dollars. At this time, the 2012-2013 biennial budget does not look as if it will improve. The second concern is that the Tangible Personal Property Loss Hold Harmless Payment from the State is scheduled to begin phasing out in fiscal year 2013. The final concern is the impending closing of the General Motors Stamping Plant. The combination of all of the above will require the District to seek ways to lower operating costs and explore ways to generate additional revenue.

**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, 2009

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and investments. . . . .	\$ 8,429,873	\$ 48,475	\$ 8,478,348
Receivables:			
Taxes . . . . .	9,675,087	-	9,675,087
Accounts . . . . .	4,504	-	4,504
Intergovernmental . . . . .	112,053	-	112,053
Accrued interest . . . . .	23,026	-	23,026
Prepayments . . . . .	7,389	-	7,389
Materials and supplies inventory . . . . .	237,794	-	237,794
Unamortized bond issue costs . . . . .	138,447	-	138,447
Capital assets:			
Land . . . . .	40,839	-	40,839
Depreciable capital assets, net . . . . .	23,564,392	10,217	23,574,609
Capital assets, net. . . . .	<u>23,605,231</u>	<u>10,217</u>	<u>23,615,448</u>
Total assets. . . . .	<u>42,233,404</u>	<u>58,692</u>	<u>42,292,096</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	26,673	-	26,673
Accrued wages and benefits . . . . .	1,525,979	7,183	1,533,162
Pension obligation payable. . . . .	473,194	1,735	474,929
Intergovernmental payable . . . . .	211,843	146	211,989
Unearned revenue. . . . .	7,114,658	8,515	7,123,173
Accrued interest payable . . . . .	37,733	-	37,733
Long-term liabilities:			
Due within one year. . . . .	1,157,606	-	1,157,606
Due in more than one year. . . . .	16,746,918	9,775	16,756,693
Total liabilities . . . . .	<u>27,294,604</u>	<u>27,354</u>	<u>27,321,958</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt. . . . .	7,681,787	10,217	7,692,004
Restricted for:			
Capital projects . . . . .	115,763	-	115,763
Debt service. . . . .	2,464,089	-	2,464,089
Locally funded programs . . . . .	2,724	-	2,724
Student activities . . . . .	41,408	-	41,408
Public school support. . . . .	72,916	-	72,916
Other purposes . . . . .	3,740	-	3,740
Unrestricted. . . . .	<u>4,556,373</u>	<u>21,121</u>	<u>4,577,494</u>
Total net assets . . . . .	<u>\$ 14,938,800</u>	<u>\$ 31,338</u>	<u>\$ 14,970,138</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, 2009

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 7,061,489	\$ 321,181	\$ 41,342	\$ 7,126
Special . . . . .	1,292,675	-	427,737	-
Vocational . . . . .	276,117	-	14,065	-
Other . . . . .	372,801	-	15,695	-
Support services:				
Pupil . . . . .	980,183	63,958	58,621	-
Instructional staff . . . . .	1,013,886	9,441	125,188	2,079
Board of education . . . . .	47,715	-	-	-
Administration . . . . .	1,276,302	-	-	-
Fiscal . . . . .	561,004	-	-	1,146
Operations and maintenance . . . . .	2,155,369	24,455	-	7,057
Pupil transportation . . . . .	944,073	-	26,862	15,313
Central . . . . .	40,659	-	5,191	-
Operation of non-instructional services:				
Food service operations . . . . .	695,087	447,816	178,001	-
Other non-instructional services . . . . .	21,487	-	-	3,242
Extracurricular activities . . . . .	794,311	225,313	15,031	-
Interest and fiscal charges . . . . .	772,935	-	-	-
Total governmental activities . . . . .	<u>18,306,093</u>	<u>1,092,164</u>	<u>907,733</u>	<u>35,963</u>
<b>Business-type activities:</b>				
Preschool/latchkey . . . . .	<u>79,007</u>	<u>82,605</u>	<u>-</u>	<u>-</u>
Total business-type activities . . . . .	<u>79,007</u>	<u>82,605</u>	<u>-</u>	<u>-</u>
Totals . . . . .	<u>\$ 18,385,100</u>	<u>\$ 1,174,769</u>	<u>\$ 907,733</u>	<u>\$ 35,963</u>

**General Revenues:**

Property taxes levied for:

General purposes . . . . .

Debt service . . . . .

Capital projects . . . . .

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**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (6,691,840)	\$ -	\$ (6,691,840)
(864,938)	-	(864,938)
(262,052)	-	(262,052)
(357,106)	-	(357,106)
(857,604)	-	(857,604)
(877,178)	-	(877,178)
(47,715)	-	(47,715)
(1,276,302)	-	(1,276,302)
(559,858)	-	(559,858)
(2,123,857)	-	(2,123,857)
(901,898)	-	(901,898)
(35,468)	-	(35,468)
(69,270)	-	(69,270)
(18,245)	-	(18,245)
(553,967)	-	(553,967)
(772,935)	-	(772,935)
<u>(16,270,233)</u>	<u>-</u>	<u>(16,270,233)</u>
-	3,598	3,598
-	3,598	3,598
<u>(16,270,233)</u>	<u>3,598</u>	<u>(16,266,635)</u>
9,138,127	-	9,138,127
1,284,088	-	1,284,088
278,142	-	278,142
5,338,214	-	5,338,214
298,665	-	298,665
23,234	-	23,234
<u>16,360,470</u>	<u>-</u>	<u>16,360,470</u>
90,237	3,598	93,835
<u>14,848,563</u>	<u>27,740</u>	<u>14,876,303</u>
<u>\$ 14,938,800</u>	<u>\$ 31,338</u>	<u>\$ 14,970,138</u>

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 6,069,177	\$ 2,168,064	\$ 192,245	\$ 8,429,486
Receivables:				
Taxes . . . . .	8,129,537	1,261,172	284,378	9,675,087
Accounts . . . . .	2,721	-	1,783	4,504
Intergovernmental . . . . .	79,567	-	32,486	112,053
Accrued interest . . . . .	23,026	-	-	23,026
Prepayments . . . . .	7,389	-	-	7,389
Materials and supplies inventory . . . . .	219,157	-	18,637	237,794
Restricted assets:				
Equity in pooled cash, cash equivalents, and investments . . . . .	387	-	-	387
<b>Total assets . . . . .</b>	<u>\$ 14,530,961</u>	<u>\$ 3,429,236</u>	<u>\$ 529,529</u>	<u>\$ 18,489,726</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 26,673	\$ -	\$ -	\$ 26,673
Accrued wages and benefits . . . . .	1,431,420	-	94,559	1,525,979
Compensated absences payable . . . . .	75,883	-	-	75,883
Pension obligation payable . . . . .	426,318	-	46,876	473,194
Intergovernmental payable . . . . .	209,655	-	2,188	211,843
Unearned revenue . . . . .	5,978,124	927,414	209,120	7,114,658
Deferred revenue . . . . .	438,267	67,047	15,118	520,432
<b>Total liabilities . . . . .</b>	<u>8,586,340</u>	<u>994,461</u>	<u>367,861</u>	<u>9,948,662</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	9,799	-	-	9,799
Reserved for materials and supplies inventory . . . . .	219,157	-	18,637	237,794
Reserved for prepayments . . . . .	7,389	-	-	7,389
Reserved for property tax unavailable for appropriation . . . . .	1,719,226	266,711	60,140	2,046,077
Reserved for debt service . . . . .	-	2,168,064	-	2,168,064
Reserved for school bus purchases . . . . .	387	-	-	387
Unreserved, undesignated, reported in:				
General fund . . . . .	3,988,663	-	-	3,988,663
Special revenue funds . . . . .	-	-	42,386	42,386
Capital projects funds . . . . .	-	-	40,505	40,505
<b>Total fund balances . . . . .</b>	<u>5,944,621</u>	<u>2,434,775</u>	<u>161,668</u>	<u>8,541,064</u>
<b>Total liabilities and fund balances . . . . .</b>	<u>\$ 14,530,961</u>	<u>\$ 3,429,236</u>	<u>\$ 529,529</u>	<u>\$ 18,489,726</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, 2009

<b>Total governmental fund balances</b>		\$ 8,541,064
<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.		23,605,231
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 514,352	
Accrued interest	6,080	
Total		520,432
Unamortized deferred charges are not recognized in the funds.		524,286
Unamortized premiums on bond issuances are not recognized in the funds.		(662,737)
Unamortized bond issuance costs are not recognized in the funds.		138,447
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(37,733)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(1,247,358)	
General obligation tax anticipation notes payable	(390,000)	
General obligation bonds payable	(16,052,832)	
Total		(17,690,190)
<b>Net assets of governmental activities</b>		<b>\$ 14,938,800</b>

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, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 9,272,792	\$ 1,296,411	\$ 281,225	\$ 10,850,428
Tuition. . . . .	180,546	-	-	180,546
Charges for services. . . . .	-	-	447,816	447,816
Earnings on investments. . . . .	308,991	-	777	309,768
Extracurricular. . . . .	-	-	251,515	251,515
Classroom materials and fees . . . . .	116,238	-	56,352	172,590
Rental income. . . . .	24,455	-	-	24,455
Contributions and donations . . . . .	-	-	66,340	66,340
Other local revenues. . . . .	23,509	-	14,967	38,476
Intergovernmental - Intermediate . . . . .	-	-	38,272	38,272
Intergovernmental - State . . . . .	5,117,316	418,391	117,046	5,652,753
Intergovernmental - Federal. . . . .	1,195	-	621,896	623,091
Total revenues . . . . .	<u>15,045,042</u>	<u>1,714,802</u>	<u>1,896,206</u>	<u>18,656,050</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,543,200	-	110,371	6,653,571
Special. . . . .	949,266	-	300,359	1,249,625
Vocational. . . . .	288,919	-	-	288,919
Other . . . . .	357,113	-	15,688	372,801
Support Services:				
Pupil. . . . .	813,798	-	147,625	961,423
Instructional staff . . . . .	806,791	-	151,601	958,392
Board of education . . . . .	47,715	-	-	47,715
Administration. . . . .	1,244,428	-	-	1,244,428
Fiscal . . . . .	515,144	29,949	6,272	551,365
Operations and maintenance. . . . .	2,053,099	-	38,621	2,091,720
Pupil transportation . . . . .	948,943	-	15,599	964,542
Central. . . . .	35,594	-	5,065	40,659
Operation of non-instructional services:				
Food service operations . . . . .	-	-	627,736	627,736
Other non-instructional services . . . . .	-	-	17,740	17,740
Extracurricular activities. . . . .	467,889	-	239,633	707,522
Facilities acquisition and construction . . . . .	24,495	-	119,049	143,544
Debt service:				
Principal retirement . . . . .	-	845,000	130,000	975,000
Interest and fiscal charges . . . . .	-	643,658	26,415	670,073
Total expenditures . . . . .	<u>15,096,394</u>	<u>1,518,607</u>	<u>1,951,774</u>	<u>18,566,775</u>
Excess of revenues over (under) expenditures. . . . .	<u>(51,352)</u>	<u>196,195</u>	<u>(55,568)</u>	<u>89,275</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	-	-	32,570	32,570
Transfers out. . . . .	<u>(32,570)</u>	<u>-</u>	<u>-</u>	<u>(32,570)</u>
Total other financing sources (uses). . . . .	<u>(32,570)</u>	<u>-</u>	<u>32,570</u>	<u>-</u>
Net change in fund balances . . . . .	(83,922)	196,195	(22,998)	89,275
<b>Fund balances at beginning of year. . . . .</b>	6,033,379	2,238,580	178,569	8,450,528
<b>Increase (decrease) in reserve for inventory. . . . .</b>	(4,836)	-	6,097	1,261
<b>Fund balances at end of year . . . . .</b>	<u>\$ 5,944,621</u>	<u>\$ 2,434,775</u>	<u>\$ 161,668</u>	<u>\$ 8,541,064</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, 2009

<b>Net change in fund balances - total governmental funds</b>	\$	89,275
<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 exceeded capital outlays in the current period.		
Capital asset additions	\$ 298,304	
Current year depreciation	<u>(858,247)</u>	
Total		(559,943)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(6,920)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		1,261
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(150,071)	
Intergovernmental revenue	(99,323)	
Accrued interest	<u>(10,326)</u>	
Total		(259,720)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		975,000
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	2,644	
Accreted interest on capital appreciation bonds	(105,508)	
Amortization of deferred charges on refundings	(47,784)	
Amortization of bond premium	63,678	
Amortization of bond issuance costs	<u>(15,892)</u>	
Total		(102,862)
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>(45,854)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>90,237</u></b>

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, 2009

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 8,987,446	\$ 9,207,137	\$ 9,344,075	\$ 136,938
Tuition. . . . .	187,419	192,000	170,638	(21,362)
Earnings on investments. . . . .	268,438	275,000	285,916	10,916
Classroom materials and fees . . . . .	102,495	105,000	115,670	10,670
Rental income. . . . .	21,475	22,000	24,455	2,455
Other local revenues. . . . .	10,371	10,625	16,446	5,821
Intergovernmental - State . . . . .	<u>5,141,637</u>	<u>5,267,320</u>	<u>5,342,343</u>	<u>75,023</u>
Total revenue . . . . .	<u>14,719,281</u>	<u>15,079,082</u>	<u>15,299,543</u>	<u>220,461</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,639,968	6,619,097	6,541,730	77,367
Special. . . . .	998,846	995,706	937,094	58,612
Vocational. . . . .	280,646	279,764	278,410	1,354
Other. . . . .	332,610	331,565	358,081	(26,516)
Support services:				
Pupil. . . . .	843,848	841,196	861,061	(19,865)
Instructional staff . . . . .	816,250	813,684	797,542	16,142
Board of education . . . . .	39,833	39,708	48,054	(8,346)
Administration. . . . .	1,314,625	1,310,493	1,293,949	16,544
Fiscal . . . . .	538,028	536,337	519,444	16,893
Operations and maintenance. . . . .	2,073,818	2,067,300	2,056,211	11,089
Pupil transportation . . . . .	891,306	888,504	916,754	(28,250)
Central. . . . .	32,041	31,940	35,591	(3,651)
Extracurricular activities. . . . .	452,968	451,544	467,561	(16,017)
Facilities acquisition and construction. . . . .	25,881	25,800	24,495	1,305
Total expenditures . . . . .	<u>15,280,668</u>	<u>15,232,638</u>	<u>15,135,977</u>	<u>96,661</u>
Excess of revenues over/(under) expenditures. . . . .	<u>(561,387)</u>	<u>(153,556)</u>	<u>163,566</u>	<u>317,122</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	14,642	15,000	21,894	6,894
Transfers out. . . . .	(32,673)	(32,570)	(32,570)	-
Sale of capital assets. . . . .	1,952	2,000	6,399	4,399
Total other financing sources (uses). . . . .	<u>(16,079)</u>	<u>(15,570)</u>	<u>(4,277)</u>	<u>11,293</u>
Net change in fund balance . . . . .	(577,466)	(169,126)	159,289	328,415
<b>Fund balance at beginning of year. . . . .</b>	5,802,285	5,802,285	5,802,285	-
<b>Prior year encumbrances appropriated . . . . .</b>	37,374	37,374	37,374	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 5,262,193</u>	<u>\$ 5,670,533</u>	<u>\$ 5,998,948</u>	<u>\$ 328,415</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009

	<b>Nonmajor Enterprise Fund</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and investments . . . . .	\$ 48,475
Total current assets . . . . .	48,475
Noncurrent assets:	
Capital assets, net. . . . .	10,217
Total assets . . . . .	58,692
<b>Liabilities:</b>	
Current liabilities:	
Accrued wages and benefits . . . . .	7,183
Pension obligation payable. . . . .	1,735
Intergovernmental payable . . . . .	146
Unearned revenue . . . . .	8,515
Total current liabilities . . . . .	17,579
Long-term liabilities:	
Compensated absences. . . . .	9,775
Total liabilities . . . . .	27,354
<b>Net assets:</b>	
Invested in capital assets . . . . .	10,217
Unrestricted. . . . .	21,121
Total net assets . . . . .	\$ 31,338

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, 2009

	<b>Nonmajor Enterprise Fund</b>
<b>Operating revenues:</b>	
Tuition and fees . . . . .	\$ 82,605
Total operating revenues . . . . .	82,605
<b>Operating expenses:</b>	
Personal services. . . . .	58,445
Purchased services. . . . .	17,083
Materials and supplies . . . . .	2,914
Depreciation. . . . .	565
Total operating expenses . . . . .	79,007
Change in net assets/operating income. . . . .	3,598
<b>Net assets at beginning of year . . . . .</b>	<b>27,740</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 31,338</b>

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, 2009

		<b>Nonmajor Enterprise Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from tuition and fees . . . . .	\$	85,165
Cash payments for personal services . . . . .		(56,883)
Cash payments for purchased services . . . . .		(17,083)
Cash payments for materials and supplies. . . . .		(2,914)
		8,285
Net cash provided by operating activities . . . . .		8,285
Net increase in cash and cash equivalents . . . . .		8,285
<b>Cash and investments at beginning of year . . .</b>		<b>40,190</b>
<b>Cash and investments at end of year. . . . .</b>	<b>\$</b>	<b>48,475</b>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income . . . . .	\$	3,598
Adjustments:		
Depreciation . . . . .		565
Changes in liabilities:		
Increase in accrued wages and benefits . . . . .		575
Increase in pension obligation payable . . . . .		181
Increase in intergovernmental payable. . . . .		42
Increase in compensated absences payable . . . . .		764
Increase in unearned revenue . . . . .		2,560
		2,560
Net cash provided by operating activities. . . . .	\$	8,285

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Cash and cash equivalents in segregated account.	\$ 18,714	
Equity in pooled cash and investments. . . . .	-	\$ 92,572
Receivables:		
Accounts . . . . .	-	322
Total assets. . . . .	<u>18,714</u>	<u>\$ 92,894</u>
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 644
Intergovernmental payable . . . . .	-	10,673
Due to students . . . . .	-	81,577
Total liabilities . . . . .	<u>-</u>	<u>\$ 92,894</u>
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	<u>18,714</u>	
Total net assets . . . . .	<u>\$ 18,714</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, 2009

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 2,119
Total additions. . . . .	2,119
<b>Deductions:</b>	
Scholarships awarded . . . . .	500
Change in net assets . . . . .	1,619
<b>Net assets at beginning of year. . . . .</b>	<b>17,095</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 18,714</b>

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, 2009

**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 67 classified, 109 certificated teaching personnel and 10 administrators who provide services to 1,785 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 they do 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, 2009  
(Continued)

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

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

*JOINTLY GOVERNED ORGANIZATION*

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

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2009, the District paid \$146,995 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 \$1,021 in administrative fees during fiscal year 2009.

**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, 2009  
(Continued)

**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 government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) for food service operations.

*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, 2009  
(Continued)

**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 fund 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, 2009  
(Continued)

**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 6). 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 for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 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, 2009 are recorded as deferred revenue.

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, 2009  
(Continued)

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

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated budget for all funds. The specific timetable for fiscal year 2009 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 2009.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**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 2009. 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 investments" on the basic financial statements.

During fiscal year 2009, investments were limited to federal agency notes, certificates of deposit, State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Government money market fund, repurchase agreements 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 repurchase agreements and certificates of deposit are reported at cost and investment contracts that had a remaining maturity of one year or less at the time of purchase are reported at amortized cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

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 2009, interest revenue credited to the general fund amounted to \$308,991, which included \$88,999 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, 2009  
(Continued)

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

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

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their 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 funds 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, 2009  
(Continued)

**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 9.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, 2009  
(Continued)

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

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

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

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property taxes unavailable for appropriation, debt service and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**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.

**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 school bus purchases (see Note 16) and 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

**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. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute for school bus purchases. See Note 16 for details.

**R. 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.

**S. 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 2009, the District did not incur any transactions that would be classified as an extraordinary item or special item.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Account Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 48,590
Management information systems	503
Title VI-B	5,925
Title I	4,354
Reducing class size	6

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 result from adjustments for accrued liabilities.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

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  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**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 \$250 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, 2009, the carrying amount of all District deposits was \$5,880,149. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$50,253 of the District's bank balance of \$5,945,200 was exposed to custodial risk as discussed below, while \$5,894,947 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, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</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	\$ 516,533	\$ -	\$ -	\$ -	\$ 200,126	\$ 316,407
FHLB	399,906	100,938	-	-	-	298,968
FHLMC	501,195	-	-	-	-	501,195
US government money market (Lincoln National Annuity)	1,201,634	1,201,634	-	-	-	-
mutual fund	17,214	17,214	-	-	-	-
STAR Ohio	12,391	12,391	-	-	-	-
Repurchase agreement	60,362	60,362	-	-	-	-
Total	<u>\$ 2,709,235</u>	<u>\$ 1,392,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,126</u>	<u>\$ 1,116,570</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

The weighted average maturity of investments is 1.79 years.

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. 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 the repurchase agreement as discussed above, 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, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 516,533	19.07
FHLB	399,906	14.76
FHLMC	501,195	18.50
US government money market	1,201,634	44.35
(Lincoln National Annuity) mutual fund	17,214	0.64
STAR Ohio	12,391	0.45
Repurchase agreement	<u>60,362</u>	<u>2.23</u>
	<u>\$ 2,709,235</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

**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, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,880,149
Investments	2,709,235
Cash on hand	250
Total	\$ 8,589,634
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 8,429,873
Business-type activities	48,475
Private-purpose trust fund	18,714
Agency funds	92,572
Total	\$ 8,589,634

**NOTE 5 - INTERFUND ACTIVITY**

Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General fund	\$ 32,570

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**NOTE 6 - 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.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, 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 calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$1,719,226 in the general fund, \$266,711 in the debt service fund and \$60,140 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2008 was \$1,734,403 in the general fund, \$242,848 in the debt service fund and \$55,689 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 305,079,970	89.22	\$ 298,972,240	91.10
Public utility personal	6,129,160	1.79	6,157,900	1.88
Tangible personal property	<u>30,736,332</u>	<u>8.99</u>	<u>23,052,249</u>	<u>7.02</u>
Total	<u>\$ 341,945,462</u>	<u>100.00</u>	<u>\$ 328,182,389</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$43.50		\$43.70	
Debt service	4.30		4.30	
Permanent improvement	1.00		1.00	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2009 consisted 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:

<b>Governmental activities:</b>	
Taxes	\$ 9,675,087
Accounts	4,504
Intergovernmental	112,053
Accrued interest	<u>23,026</u>
Total	<u>\$ 9,814,670</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, 2009  
(Continued)

**NOTE 8 - CAPITAL ASSETS**

**A. Governmental activities**

Capital asset activity for the governmental activities for the fiscal year ended June 30, 2009, was as follows:

	Balance <u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2009</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 40,839	\$ -	\$ -	\$ 40,839
Total capital assets, not being depreciated	<u>40,839</u>	<u>-</u>	<u>-</u>	<u>40,839</u>
<i>Capital assets, being depreciated:</i>				
Land/improvements	1,048,839	13,096	-	1,061,935
Building/improvements	28,388,448	22,873	-	28,411,321
Furniture/equipment	2,069,708	53,775	-	2,123,483
Vehicles	1,669,048	208,560	(197,678)	1,679,930
Infrastructure	<u>682,025</u>	<u>-</u>	<u>-</u>	<u>682,025</u>
Total capital assets, being depreciated	<u>33,858,068</u>	<u>298,304</u>	<u>(197,678)</u>	<u>33,958,694</u>
<i>Less: accumulated depreciation</i>				
Land/improvements	(527,805)	(43,837)	-	(571,642)
Building/improvements	(6,851,456)	(565,554)	-	(7,417,010)
Furniture/equipment	(1,228,445)	(132,674)	-	(1,361,119)
Vehicles	(1,004,144)	(102,372)	190,758	(915,758)
Infrastructure	<u>(114,963)</u>	<u>(13,810)</u>	<u>-</u>	<u>(128,773)</u>
Total accumulated depreciation	<u>(9,726,813)</u>	<u>(858,247)</u>	<u>190,758</u>	<u>(10,394,302)</u>
Governmental activities capital assets, net	<u>\$ 24,172,094</u>	<u>\$ (559,943)</u>	<u>\$ (6,920)</u>	<u>\$ 23,605,231</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 387,816
Special	20,389
Vocational	10,379
<u>Support services:</u>	
Pupil	26,861
Instructional staff	60,394
Administration	16,390
Fiscal	4,293
Operations and maintenance	55,365
Pupil transportation	121,540
<u>Operation of non-instructional services:</u>	
Other non-instructional services	3,747
Food service operations	67,525
Extracurricular activities	<u>83,548</u>
Total depreciation expense	<u>\$ 858,247</u>

**B. Business-Type Activities**

Capital asset activity for the business-type activities for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Land improvements	\$ 11,300	\$ -	\$ -	\$ 11,300
Less: accumulated depreciation	<u>(518)</u>	<u>(565)</u>	<u>-</u>	<u>(1,083)</u>
Business-type activities capital assets, net	<u>\$ 10,782</u>	<u>\$ (565)</u>	<u>\$ -</u>	<u>\$ 10,217</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 9 - LONG-TERM OBLIGATIONS**

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

	Balance Outstanding June 30, 2008	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding June 30, 2009	Amount Due in One Year
<b><u>Governmental activities:</u></b>					
<b><u>General obligation bonds:</u></b>					
Series 1999, Construction					
Current interest bonds	\$ 2,925,000	\$ -	\$ (720,000)	\$ 2,205,000	\$ 755,000
Series 2006, Refunding					
Current interest bonds	9,680,000	-	(70,000)	9,610,000	75,000
Series 2006, Refunding					
Capital appreciation bonds	74,996	-	-	74,996	-
Series 2006, Refunding					
Capital appreciation bonds					
Accreted interest	75,913	39,829	-	115,742	-
Series 2007, Refunding					
Current interest bonds	3,445,000	-	(55,000)	3,390,000	60,000
Series 2007, Refunding					
Capital appreciation bonds	504,997	-	-	504,997	-
Series 2007, Refunding					
Capital appreciation bonds					
Accreted interest	86,418	65,679	-	152,097	-
<b><u>Other long-term obligations:</u></b>					
Permanent Improvement					
tax anticipation note	520,000	-	(130,000)	390,000	130,000
Compensated absences	<u>1,355,595</u>	<u>179,929</u>	<u>(212,283)</u>	<u>1,323,241</u>	<u>137,606</u>
Total	<u>\$ 18,667,919</u>	<u>\$ 285,437</u>	<u>\$ (1,187,283)</u>	17,766,073	<u>\$ 1,157,606</u>
Less: deferred charges on refunding				(524,286)	
Add: unamortized premiums				<u>662,737</u>	
Total on statement of net assets				<u>\$ 17,904,524</u>	
<b><u>Business-Type Activities</u></b>					
Compensated absences	<u>\$ 9,011</u>	<u>\$ 764</u>	<u>\$ -</u>	<u>\$ 9,775</u>	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 9 - 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).

- 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>
2010	\$ 755,000	\$ 90,342	\$ 845,342
2011	790,000	54,159	844,159
2012	35,000	34,534	69,534
2013	40,000	42,519	82,519
2014	40,000	40,369	80,369
2015 - 2019	235,000	115,699	350,699
2020 - 2024	310,000	43,337	353,337
Total	\$ 2,205,000	\$ 420,959	\$ 2,625,959

- 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 \$115,742 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  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 9 - 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
2010	\$ 75,000	\$ 385,872	\$ 460,872	\$ -	\$ -	\$ -
2011	75,000	383,154	458,154	-	-	-
2012	80,000	380,248	460,248	-	-	-
2013	80,000	377,247	457,247	-	-	-
2014	85,000	374,153	459,153	-	-	-
2015 - 2019	2,765,000	1,686,281	4,451,281	74,996	1,030,004	1,105,000
2020 - 2024	6,450,000	668,538	7,118,538	-	-	-
Total	<u>\$ 9,610,000</u>	<u>\$ 4,255,493</u>	<u>\$ 13,865,493</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 \$152,097 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, 2009  
(Continued)

**NOTE 9 - 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>
2010	\$ 60,000	\$ 129,034	\$ 189,034	\$ -	\$ -	\$ -
2011	60,000	126,807	186,807	-	-	-
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 - 2016	<u>1,530,000</u>	<u>53,282</u>	<u>1,583,282</u>	-	-	-
Total	<u>\$ 3,390,000</u>	<u>\$ 620,795</u>	<u>\$ 4,010,795</u>	<u>\$ 504,997</u>	<u>\$ 350,003</u>	<u>\$ 855,000</u>

- 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, 2009:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance June 30, 2008</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>
Permanent improvement tax anticipation note	5.00%	03/01/07	12/01/11	<u>\$ 520,000</u>	<u>\$ (130,000)</u>	<u>\$ 390,000</u>

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>
2010	\$ 130,000	\$ 19,500	\$ 149,500
2011	130,000	13,000	143,000
2012	<u>130,000</u>	<u>6,500</u>	<u>136,500</u>
Total	<u>\$ 390,000</u>	<u>\$ 39,000</u>	<u>\$ 429,000</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 9 - 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, 2009, are a voted debt margin of \$13,698,826 (including available funds of \$2,434,775) and an unvoted debt margin of \$304,878.

**NOTE 10 - 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.

Classified employees who work on calamity days earn a compensation day. These days are encouraged to be taken during the year in which they are earned. Compensation days not taken during the year will be paid at the employee's daily rate at the end of the fiscal year. The principal employees receiving compensation days are maintenance and custodial.

**NOTE 11 - 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 2009, the District contracted with Ohio Casualty Insurance Company for property insurance coverage in the blanket amount of \$62,268,832 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 \$62,268,832 with a \$1,000 deductible. The District inland marine coverage amount is \$1,493,963 for electronic data processing and \$483,400 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, 2009  
(Continued)

**NOTE 11 - RISK MANAGEMENT - (Continued)**

Vehicles are covered by Ohio Casualty Insurance Company and hold a \$100 deductible for comprehensive and \$500 for collision. Automobile liability has a \$1,000,000 combined single limit of liability. An umbrella liability coverage is provided above stated base liability coverage for general and fleet liability in the amount of \$10,000,000 with a \$10,000 self-insured retention.

Ohio Casualty Insurance Company also provides general liability coverage with a \$2,000,000 single occurrence limit and no deductible. The umbrella liability coverage does not 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 not 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 & Molestation liability coverage with a \$1,000,000 occurrence limit and no deductible, and provides Employers' liability coverage in the amount of \$1,000,000, with a \$2,000,000 aggregate limit and no deductible. The umbrella liability coverage does apply to both of the above coverages.

Ohio Casualty Insurance Company provides School Law Enforcement liability coverage on claims made with \$1,000,000 limit with a \$2,500 deductible.

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

**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 Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP.

The District paid \$1,903 in administrative fees to the GRP for fiscal year 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 11 - 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 \$438.84 for single coverage and \$1,184.97 for family coverage. The District portion of the monthly premium is \$393.40 for single coverage and \$1,057.30 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 \$45.44 for single coverage and \$127.67 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 \$31.78 for single and \$85.83 for family coverage. The District's portion of the monthly premium is \$19.11 for single and \$56.69 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 monthly portion of the premium is \$12.67 for single and \$29.14 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 \$7.55 for single coverage and \$20.39 for family coverage. The District's portion of the monthly premium is \$3.46 for single coverage and \$10.79 for family coverage. This amount is also capped by negotiated union contracts and cannot be raised except through negotiated agreement. The employee monthly portion of the premium is \$4.09 for single coverage and \$9.60 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 about double for employees who work more than 20 hours but less than 30.1 hours weekly. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 12 - 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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. 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 to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$165,592, \$160,776 and \$166,799, respectively; 39.87 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 12 - PENSION PLANS - (Continued)**

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 2009, 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.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$890,050, \$873,447 and \$836,987, respectively; 81.97 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$5,241 made by the District and \$12,653 made by the plan members.

**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, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$104,181, \$99,930 and \$78,971, respectively; 39.87 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$13,663, \$11,584 and \$11,342, respectively; 39.87 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

**Plan Description** - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) 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 2009, 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, 2009, 2008, and 2007 were \$68,465, \$67,188 and \$64,384, respectively; 81.97 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 14 - 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 cash disbursements and encumbrances.

The statement of revenues, 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);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 159,289
Net adjustment for revenue accruals	(254,501)
Net adjustment for expenditure accruals	563
Net adjustment for other sources/uses	(28,293)
Adjustment for encumbrances	<u>39,020</u>
GAAP basis	<u>\$ (83,922)</u>

**NOTE 15 - 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, 2009  
(Continued)

**NOTE 16 - 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, 2009, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2008	\$ (797,578)	\$ -
Current year set-aside requirement	279,711	279,711
Qualifying offsets	-	(278,003)
Qualifying disbursements	<u>(353,081)</u>	<u>(949,143)</u>
Total	<u>\$ (870,948)</u>	<u>\$ (947,435)</u>
Balance carried forward to FY 2010	<u>\$ (870,948)</u>	<u>\$ -</u>

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

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2009 follows:

Amount restricted for school bus purchases	<u>\$ 387</u>
Total restricted assets	<u>\$ 387</u>



**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Passed Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. Department of Agriculture</u></b>						
<i>(Passed through the Ohio Department of Education)</i>						
Child Nutrition Cluster:						
National School Lunch Program	10.555	N/A	\$154,072	\$61,131	\$154,072	\$61,131
<b>Total Child Nutrition Cluster/U.S. Department of Agriculture</b>			154,072	61,131	154,072	61,131
<b><u>U.S. Department of Education</u></b>						
<i>(Passed through the Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	84.010	2009	138,071		135,327	
		2008	22,900		25,005	
Total Title I Grants to Local Educational Agencies			160,971		160,332	
Special Education Cluster:						
Special Education_Grants to States	84.027	2009	228,291		223,204	
		2008	20,030		23,236	
Total Special Education Cluster			248,321		246,440	
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	4,517		4,517	
State Grants for Innovative Programs	84.298	2009	1,227		1,227	
Education Technology State Grants	84.318	2009	1,449		1,449	
Improving Teacher Quality State Grants	84.367	2009	40,560		40,560	
<b>Total U.S. Department of Education</b>			457,045		454,525	
<b>Totals</b>			\$611,117	\$61,131	\$608,597	\$61,131

*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, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

**NOTE D – TRANSFERS**

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with ODE's approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2009, the Ohio Department of Education (ODE) authorized the following transfer:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Pass-Through Entity Number (or Grant Year)</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.010	Title I Grants to Local Educational Agencies	2008	\$ 2,461	
84.010	Title I Grants to Local Educational Agencies	2009		\$ 2,461



# Mary Taylor, CPA

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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 16, 2009. 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 16, 2009



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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 apply to its major federal program for the year ended June 30, 2009. 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 its 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 types of 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 District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

### 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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



**Mary Taylor, CPA**  
Auditor of State

October 16, 2009

**ONTARIO LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA # 10.555, National School Lunch Program
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

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# Mary Taylor, CPA

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

1. We noted the Board adopted an anti-harassment policy at its meeting on August 14, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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.



**Mary Taylor, CPA**  
Auditor of State

October 16, 2009



Mary Taylor, CPA  
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  
NOVEMBER 10, 2009