



**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Similar Fiduciary Funds.....	6
Combined Statement of Revenues, Expenditures and Changes in Fund Cash Balances - Budget (Non-GAAP Basis) and Actual All Governmental Fund Types and Similar Fiduciary Funds.....	8
Combined Statement of Revenues, Expenses and Changes in Fund Equity Proprietary Fund Type and Similar Fiduciary Funds	13
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual Proprietary Fund Type and Similar Fiduciary Funds	14
Combined Statement of Cash Flows Proprietary Fund Type and Similar Fiduciary Funds	16
Notes to the General Purpose Financial Statements.....	17
Schedule of Receipts and Expenditures of Federal Awards.....	47
Notes to the Schedule of Receipts and Expenditures of Federal Awards	48
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	49
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and on Internal Control Over Compliance in Accordance with OMB Circular A-133	51
Schedule of Findings.....	53
Schedule of Prior Audit Findings.....	55

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REPORT OF INDEPENDENT ACCOUNTANTS

North Central Local School District
Wayne County
350 South Main Street
Creston, Ohio 44217

To the Board of Education:

We have audited the accompanying general purpose financial statements of the North Central Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2002, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and non-expendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as 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 general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

November 15, 2002

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**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2002**

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
ASSETS AND OTHER DEBITS:					
ASSETS:					
Equity in Pooled Cash & Cash Equivalents	\$2,100,064	\$86,462	\$146,407	\$113,713	\$39,172
Receivables:					
Property Tax	2,321,168	0	0	92,856	0
Accounts	1,322	25	0	0	102
Intergovernmental	5,279	0	0	0	9,828
Inventory Held for Resale	0	0	0	0	13,140
Materials and Supplies Inventory	0	0	0	0	2,015
Restricted Cash	38,389	0	0	0	0
Fixed Assets	0	0	0	0	73,727
Accumulated Depreciation	0	0	0	0	(47,869)
OTHER DEBITS:					
Amount Available in Debt Service Fund for the Retirement of Long Term General Obligation	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0
TOTAL ASSETS AND OTHER DEBITS	<u>\$4,466,222</u>	<u>\$86,487</u>	<u>\$146,407</u>	<u>\$206,569</u>	<u>\$90,115</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS:					
LIABILITIES:					
Accounts Payable	\$18,713	\$3,279	\$0	\$41,129	\$835
Accrued Wages and Benefits	580,571	29,827	0	0	3,645
Compensated Absences Payable	55,615	0	0	0	12,673
Intergovernmental Payable	122,728	4,015	0	0	4,151
Deferred Revenue	2,060,350	0	0	83,362	9,351
Undistributed Monies	0	0	0	0	0
Due to Students	0	0	0	0	0
General Obligation Bonds Payable	0	0	0	0	0
TOTAL LIABILITIES	<u>2,837,977</u>	<u>37,121</u>	<u>0</u>	<u>124,491</u>	<u>30,655</u>
FUND EQUITY AND OTHER CREDITS:					
Contributed Capital	0	0	0	0	1,525
Investment in General Fixed Assets	0	0	0	0	0
Retained Earnings - Unreserved	0	0	0	0	57,935
Fund Balance Reserved					
Reserved for Encumbrances	81,536	7,632	0	15,056	0
Reserved for Contributions	0	0	0	0	0
Reserved for Property Taxes	260,818	0	0	9,494	0
Reserved for Budget Stabilization	38,389	0	0	0	0
Fund Balance Unreserved					
Unreserved, Undesignated	1,247,502	41,734	146,407	57,528	0
TOTAL FUND EQUITY AND OTHER CREDITS	<u>1,628,245</u>	<u>49,366</u>	<u>146,407</u>	<u>82,078</u>	<u>59,460</u>
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	<u>\$4,466,222</u>	<u>\$86,487</u>	<u>\$146,407</u>	<u>\$206,569</u>	<u>\$90,115</u>

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Types Trust and Agency	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-term Obligations	
\$56,816	\$0	\$0	\$2,542,634
0	0	0	2,414,024
160	0	0	1,609
0	0	0	15,107
0	0	0	13,140
0	0	0	2,015
0	0	0	38,389
0	6,858,984	0	6,932,711
0	0	0	(47,869)
0	0	146,407	146,407
0	0	1,066,028	1,066,028
<u>\$56,976</u>	<u>\$6,858,984</u>	<u>\$1,212,435</u>	<u>\$13,124,195</u>
\$150	\$0	\$0	\$64,106
0	0	0	614,043
0	0	644,861	713,149
1	0	57,574	188,469
0	0	0	2,153,063
1,045	0	0	1,045
32,339	0	0	32,339
0	0	510,000	510,000
<u>33,535</u>	<u>0</u>	<u>1,212,435</u>	<u>4,276,214</u>
0	0	0	1,525
0	6,858,984	0	6,858,984
0	0	0	57,935
0	0	0	104,224
21,092	0	0	21,092
0	0	0	270,312
0	0	0	38,389
<u>2,349</u>	<u>0</u>	<u>0</u>	<u>1,495,520</u>
<u>23,441</u>	<u>6,858,984</u>	<u>0</u>	<u>8,847,981</u>
<u>\$56,976</u>	<u>\$6,858,984</u>	<u>\$1,212,435</u>	<u>\$13,124,195</u>

**NORTH CENTRAL SCHOOL DISTRICT
WAYNE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL
GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types	
	General Fund	Special Revenue
Revenues		
Taxes	\$2,162,863	\$0
Intergovernmental	5,400,629	531,997
Interest	141,478	0
Tuition and Fees	207,202	0
Rent	1,964	0
Extracurricular Activities	0	129,368
Gifts and Donations	5,000	14,996
Miscellaneous	17,729	5,958
Total Revenues	7,936,865	682,319
Expenditures		
Current		
Instruction		
Regular	3,651,133	42,026
Special	608,006	245,400
Vocational	186,791	0
Other	559,589	0
Support Services		
Pupils	291,892	128,248
Instructional Staff	283,369	158,173
Board of Education	18,175	0
Administration	663,639	21,809
Fiscal	200,792	0
Operation & Maintenance of Plant	500,415	1,768
Pupil Transportation	602,571	1,310
Central	7,749	19,596
Extracurricular Activities	152,939	72,019
Capital Outlay	82,477	0
Debt Service		
Debt Service - Principal	15,226	0
Debt Service - Interest	833	0
Total Expenditures	7,825,596	690,349
Excess of Revenues Over (Under) Expenditures	111,269	(8,030)
Other Financing Sources (Uses)		
Operating Transfers In	0	0
Proceeds from Sale of Fixed Assets	500	0
Other Financing Sources	1,039	56
Operating Transfers Out	(114,566)	0
Total Other Financing Sources (Uses)	(113,027)	56
Excess of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	(1,758)	(7,974)
Fund Balance, July 1, 2001	1,630,003	57,340
Fund Balance, June 30, 2002	\$1,628,245	\$49,366

See accompanying notes to the general purpose financial statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
\$8,519	\$88,512	\$0	\$2,259,894
1,668	49,589	0	5,983,883
0	0	52	141,530
0	0	0	207,202
0	0	0	1,964
0	0	0	129,368
0	0	0	19,996
0	0	0	23,687
<u>10,187</u>	<u>138,101</u>	<u>52</u>	<u>8,767,524</u>
0	40,642	0	3,733,801
0	0	0	853,406
0	0	0	186,791
0	0	0	559,589
0	0	100	420,240
0	0	0	441,542
0	0	0	18,175
0	0	0	685,448
769	1,758	0	203,319
0	0	0	502,183
0	0	0	603,881
0	0	0	27,345
0	0	0	224,958
0	130,734	0	213,211
200,000	0	0	215,226
35,373	0	0	36,206
<u>236,142</u>	<u>173,134</u>	<u>100</u>	<u>8,925,321</u>
(225,955)	(35,033)	(48)	(157,797)
81,510	0	0	81,510
0	0	0	500
0	0	0	1,095
0	0	0	(114,566)
<u>81,510</u>	<u>0</u>	<u>0</u>	<u>(31,461)</u>
(144,445)	(35,033)	(48)	(189,258)
290,852	117,111	1,574	2,096,880
<u>\$146,407</u>	<u>\$82,078</u>	<u>\$1,526</u>	<u>\$1,907,622</u>

NORTH CENTRAL SCHOOL DISTRICT
WAYNE COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND CASH BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$2,386,000	\$2,300,720	(\$85,280)
Intergovernmental	5,369,800	5,400,629	30,829
Interest	180,000	137,432	(42,568)
Tuition and Fees	274,000	202,211	(71,789)
Rent	4,000	1,964	(2,036)
Extracurricular Activities	0	0	0
Gifts and Donations	1,000	5,000	4,000
Miscellaneous	42,100	16,654	(25,446)
Total Revenues	<u>8,256,900</u>	<u>8,064,610</u>	<u>(192,290)</u>
Expenditures			
Current			
Instruction			
Regular	3,688,708	3,609,253	79,455
Special	731,696	598,777	132,919
Vocational	173,788	183,701	(9,913)
Other	458,686	569,864	(111,178)
Support Services			
Pupils	336,892	296,620	40,272
Instructional Staff	280,029	279,758	271
Board of Education	30,000	18,174	11,826
School Administration	761,448	685,969	75,479
Fiscal	219,948	201,155	18,793
Operation & Maintenance of Plant	627,524	539,718	87,806
Pupil Transportation	678,100	600,809	77,291
Central	129,700	23,807	105,893
Extracurricular Activities	158,950	152,921	6,029
Capital Outlay	60,000	95,129	(35,129)
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>8,335,469</u>	<u>7,855,655</u>	<u>479,814</u>
Excess of Revenues Over (Under) Expenditures	(78,569)	208,955	287,524
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Proceeds from Sale of Fixed Assets	1,000	500	(500)
Refund of Prior Year Expenditures	1,000	527	(473)
Other Financing Sources	1,000	512	(488)
Operating Transfers Out	(86,000)	(114,566)	(28,566)
Refund of Prior Year Receipts	(8,000)	0	8,000
Total Other Financing Sources (Uses)	<u>(91,000)</u>	<u>(113,027)</u>	<u>(22,027)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Use:	(169,569)	95,928	265,497
Fund Balance, July 1, 2001	1,837,796	1,837,796	0
Prior Year Encumbrances Appropriated	111,305	111,305	0
Fund Balance, June 30, 2002	<u>\$1,779,532</u>	<u>\$2,045,029</u>	<u>\$265,497</u>

See accompanying notes to the general purpose financial statements.

Special Revenue Funds			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$12,100	\$13,681	\$1,581
652,000	531,997	(120,003)	0	1,668	1,668
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
136,000	129,368	(6,632)	0	0	0
34,000	14,996	(19,004)	0	0	0
0	5,943	5,943	0	0	0
<u>822,000</u>	<u>682,304</u>	<u>(139,696)</u>	<u>12,100</u>	<u>15,349</u>	<u>3,249</u>
89,354	43,594	45,760	0	0	0
483,450	235,794	247,656	0	0	0
600	0	600	0	0	0
0	0	0	0	0	0
174,242	131,920	42,322	0	0	0
29,300	154,137	(124,837)	0	0	0
0	0	0	0	0	0
0	21,968	(21,968)	0	0	0
0	0	0	3,000	769	2,231
0	1,768	(1,768)	0	0	0
0	2,354	(2,354)	0	0	0
21,173	19,596	1,577	0	0	0
67,423	73,695	(6,272)	0	0	0
0	0	0	0	0	0
0	0	0	200,000	200,000	0
0	0	0	43,500	35,373	8,127
<u>865,542</u>	<u>684,826</u>	<u>180,716</u>	<u>246,500</u>	<u>236,142</u>	<u>10,358</u>
(43,542)	(2,522)	41,020	(234,400)	(220,793)	13,607
0	0	0	82,500	81,510	(990)
0	0	0	0	0	0
0	45	45	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	(3,500)	0	3,500
<u>0</u>	<u>45</u>	<u>45</u>	<u>79,000</u>	<u>81,510</u>	<u>2,510</u>
(43,542)	(2,477)	41,065	(155,400)	(139,283)	16,117
61,214	61,214	0	285,690	285,690	0
16,519	16,519	0	0	0	0
<u>\$34,191</u>	<u>\$75,256</u>	<u>\$41,065</u>	<u>\$130,290</u>	<u>\$146,407</u>	<u>\$16,117</u>

NORTH CENTRAL SCHOOL DISTRICT
WAYNE COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND CASH BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

	Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$103,500	\$94,028	(\$9,472)
Intergovernmental	65,000	49,589	(15,411)
Interest	0	0	0
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	0	0	0
Total Revenues	168,500	143,617	(24,883)
Expenditures			
Current			
Instruction			
Regular	62,765	40,642	22,123
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
School Administration	0	0	0
Fiscal	1,900	1,758	142
Operation & Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	175,038	145,984	29,054
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	239,703	188,384	51,319
Excess of Revenues Over (Under) Expenditures	(71,203)	(44,767)	26,436
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Refund of Prior Year Expenditures	0	0	0
Other Financing Sources	0	0	0
Operating Transfers Out	0	0	0
Refund of Prior Year Receipts	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(71,203)	(44,767)	26,436
Fund Balance, July 1, 2001	80,574	80,574	0
Prior Year Encumbrances Appropriated	21,721	21,721	0
Fund Balance, June 30, 2002	\$31,092	\$57,528	\$26,436

See accompanying notes to the general purpose financial statements.

Expendable Trust Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,501,600	\$2,408,429	(\$93,171)
0	0	0	6,086,800	5,983,883	(102,917)
100	51	(49)	180,100	137,483	(42,617)
0	0	0	274,000	202,211	(71,789)
0	0	0	4,000	1,964	(2,036)
0	0	0	136,000	129,368	(6,632)
0	0	0	35,000	19,996	(15,004)
0	0	0	42,100	22,597	(19,503)
100	51	(49)	9,259,600	8,905,931	(353,669)
0	0	0	3,840,827	3,693,489	147,338
0	0	0	1,215,146	834,571	380,575
0	0	0	174,388	183,701	(9,313)
0	0	0	458,686	569,864	(111,178)
100	100	0	511,234	428,640	82,594
0	0	0	309,329	433,895	(124,566)
0	0	0	30,000	18,174	11,826
0	0	0	761,448	707,937	53,511
0	0	0	224,848	203,682	21,166
0	0	0	627,524	541,486	86,038
0	0	0	678,100	603,163	74,937
0	0	0	150,873	43,403	107,470
0	0	0	226,373	226,616	(243)
0	0	0	235,038	241,113	(6,075)
0	0	0	200,000	200,000	0
0	0	0	43,500	35,373	8,127
100	100	0	9,687,314	8,965,107	722,207
0	(49)	(49)	(427,714)	(59,176)	368,538
0	0	0	82,500	81,510	(990)
0	0	0	1,000	500	(500)
0	0	0	1,000	572	(428)
0	0	0	1,000	512	(488)
0	0	0	(86,000)	(114,566)	(28,566)
0	0	0	(11,500)	0	11,500
0	0	0	(12,000)	(31,472)	(19,472)
0	(49)	(49)	(439,714)	(90,648)	349,066
1,574	1,574	0	2,266,848	2,266,848	0
0	0	0	149,545	149,545	0
\$1,574	\$1,525	(\$49)	\$1,976,679	\$2,325,745	\$349,066

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**NORTH CENTRAL SCHOOL DISTRICT
WAYNE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise Funds</u>	<u>Non-Expendable Trust Funds</u>	<u>(Memorandum Only)</u>
OPERATING REVENUES			
Sales	\$215,955	\$0	\$215,955
Interest	0	991	991
Classroom Materials and Fees	45,419	0	45,419
Contributions and Donations	0	270	270
Total Operating Revenues	261,374	1,261	262,635
OPERATING EXPENSES			
Salaries and Wages	128,434	0	128,434
Fringe Benefits	58,232	0	58,232
Purchased Services	2,287	0	2,287
Materials and Supplies	53,093	0	53,093
Cost of Sales	159,570	0	159,570
Depreciation	1,184	0	1,184
Other	0	1,250	1,250
Total Operating Expenses	402,800	1,250	404,050
Operating Income (Loss)	(141,426)	11	(141,415)
Non-Operating Revenues			
Donated Commodities	29,113	0	29,113
Intergovernmental	83,378	0	83,378
Interest	6	0	6
Total Non-Operating Revenue	112,497	0	112,497
Income (Loss) Before Operating Transfers	(28,929)	11	(28,918)
Operating Transfer-In	33,056	0	33,056
Net Income	4,127	11	4,138
Retained Earnings/Fund Balance, July 1, 2001	53,808	21,904	75,712
Retained Earnings/Fund Balance, June 30, 2002	\$57,935	\$21,915	\$79,850

See accompanying notes to the general purpose financial statements.

NORTH CENTRAL SCHOOL DISTRICT
WAYNE COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Sales	\$230,300	\$215,972	(\$14,328)
Interest	0	0	0
Classroom Materials and Fees	45,000	45,572	572
Contributions and Donations	0	0	0
Total Revenues	275,300	261,544	(13,756)
OPERATING EXPENSES			
Salaries and Wages	117,000	120,576	(3,576)
Fringe Benefits	64,500	62,077	2,423
Purchased Services	13,900	2,287	11,613
Materials and Supplies	206,989	188,886	18,103
Other	0	0	0
Capital Outlay	2,000	7,025	(5,025)
Total Expenses	404,389	380,851	23,538
Operating Income (Loss)	(129,089)	(119,307)	9,782
Non-Operating Revenues			
Interest	500	6	(494)
Federal and State Subsidies	79,200	73,550	(5,650)
Total Non-Operating Revenues	79,700	73,556	(6,144)
Operating Transfers-In	10,000	33,056	23,056
Excess of Revenues Over (Under) Expenses	(39,389)	(12,695)	26,694
Fund Equity, July 1, 2001	44,729	44,729	0
Prior Year Encumbrances Appropriated	2,789	2,789	0
Fund Equity, June 30, 2002	\$8,129	\$34,823	\$26,694

See accompanying notes to the general purpose financial statements.

Non-Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$230,300	\$215,972	(\$14,328)
1,500	991	(509)	1,500	991	(509)
0	0	0	45,000	45,572	572
1,000	270	(730)	1,000	270	(730)
2,500	1,261	(1,239)	277,800	262,805	(14,995)
0	0	0	117,000	120,576	(3,576)
0	0	0	64,500	62,077	2,423
0	0	0	13,900	2,287	11,613
0	0	0	206,989	188,886	18,103
1,850	1,250	600	1,850	1,250	600
0	0	0	2,000	7,025	(5,025)
1,850	1,250	600	406,239	382,101	24,138
650	11	(639)	(128,439)	(119,296)	9,143
0	0	0	500	6	(494)
0	0	0	79,200	73,550	(5,650)
0	0	0	79,700	73,556	(6,144)
0	0	0	10,000	33,056	23,056
650	11	(639)	(38,739)	(12,684)	26,055
21,904	21,904	0	66,633	66,633	0
0	0	0	2,789	2,789	0
<u>\$22,554</u>	<u>\$21,915</u>	<u>(\$639)</u>	<u>\$30,683</u>	<u>\$56,738</u>	<u>\$26,055</u>

**NORTH CENTRAL SCHOOL DISTRICT
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

	Enterprise	Non-Expendable Trust	Totals (Memorandum Only)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash from Customers	\$261,542	\$270	\$261,812
Cash Payments for Goods and Services	(186,822)	0	(186,822)
Cash Payments to Employees for Services	(120,576)	0	(120,576)
Cash Payments for Employee Benefits	(62,077)	0	(62,077)
Other Cash Payments	0	(1,250)	(1,250)
Net Cash (Used For) Operating Activities	(107,933)	(980)	(108,913)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Grants	73,550	0	73,550
Transfer In	33,056	0	33,056
Net Cash Provided for Noncapital Financing Activities	106,606	0	106,606
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Capital Outlay	(7,025)	0	(7,025)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	6	991	997
Net Increase (Decrease) In Cash and Cash Equivalents	(8,346)	11	(8,335)
Cash and Cash Equivalents as of July 1, 2001	47,518	21,904	69,422
Cash and Cash Equivalents as of June 30, 2002	\$39,172	\$21,915	\$61,087
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES			
Operating Income (Loss)	(\$141,426)	\$11	(\$141,415)
Adjustments:			
Interest on Investments	0	(991)	(991)
Depreciation Expense	1,184	0	1,184
Donated Commodities Used During Year	29,113	0	29,113
(Increase) Decrease in Assets:			
Accounts Receivable	170	0	170
Inventory for Resale	556	0	556
Materials and Supplies Inventory	(410)	0	(410)
Increase (Decrease) in Liabilities			
Accounts Payable	(558)	0	(558)
Accrued Wages and Benefits	1,392	0	1,392
Compensated Absences Payable	3,845	0	3,845
Intergovernmental Payables	(1,225)	0	(1,225)
Deferred Revenue	(574)	0	(574)
Net Cash (Used For) Operating Activities	(\$107,933)	(\$980)	(\$108,913)
Reconciliation to Combined Balance Sheet:			
Cash and Cash Equivalents - June 30, 2002			
Trust and Agency Funds			
Non-Expendable Trust	\$21,915		
Agency	33,375		
Expendable Trust	1,526		
Total	\$56,816		

See accompanying notes to the general purpose financial statements.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The North Central 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 an elected Board of Education (5 members) and is responsible for providing public education to residents of the District as authorized by state statute and/or federal guidelines.

Average daily membership (ADM) as of October 1, 2001 was 1,361. The District employed 88 certificated employees and 56 non-certificated employees at that date.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or 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. The District does not have any component units.

Villages Located in the District

The Villages within the District are separate body politics and corporates. A mayor and council are elected independent of any District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these services.

Townships Located in the District

The Townships within the District are separate body politics and corporates. The trustees are elected independent of any District relationships and administer the provision of traditional township services. Trustees act as the taxing and budgeting authority for these services.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY
(Continued)**

Reporting Entity (Continued)

Parent Teacher Organizations and/or Booster Clubs

The District is not involved in the budgeting or management, is not responsible for any debt, and has no influence over these organizations.

Joint Venture

The District participates in a joint venture to operate the Midland Council of Governments (COG), a regional council of governments established to provide efficient and cost effective computer and data processing services to each member. Other participants in the Midland COG include school districts in Ashland, Holmes, and Wayne Counties, and the Wadsworth City School District.

The Midland COG was established in July of 1993 and is governed by a seven-member Executive Committee, appointed by the COG. The Tri-County Educational Service Center serves as fiscal agent for the COG and is responsible for all financial reporting for the COG.

The Midland COG is funded by member fees and state grants. The Executive Committee determines and sets the member fees for all services of the COG. Fees are billed to member districts annually around July 1st. The District paid \$19,800 in fees for 2000-01 and \$20,490 in fees for 2001-02. The District has no equity interest in the COG.

Upon dissolution of the COG, any unclaimed assets remaining on the COG's books shall be distributed as follows:

1. All tangible personal property previously loaned or given to the Midland COG that is clearly identified as to ownership shall be returned to the owner member.
2. All remaining tangible personal property shall be sold at public sale in accordance with the ORC 307.12 by sealed bid. The cash proceeds and all remaining assets and other intangibles, including moneys, shall be distributed to the member districts in proportion to the ADM of the district.

Upon withdrawal from the COG, a member shall be released from all obligations and liabilities of the Midland COG except those for which it was a contracting party or for pending claims. The withdrawing member district shall receive any tangible personal property it individually owns and which is housed remotely. Any and all other moneys, grants, and property housed at the data center shall remain that of the Midland COG.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY
(Continued)

Reporting Entity (Continued)

Joint Venture (Continued)

Upon termination/suspension from the COG, a member shall return all equipment or assets owned by the Executive Committee and will be responsible for any loss in state funding to the Midland COG as a result of the termination.

Complete financial statements for the Midland COG can be obtained from the Tri-County Educational Service Center, 741 Winkler Drive, Wooster, Ohio 44691.

Jointly Governed Organizations

Wayne County Career Center

The Wayne County Career Center (the Career Center) is a separate body politic and corporate, established by the Ohio Revised Code. The Board of Education is comprised of representatives from the Board of each participating school district independent of the North Central Local School District. The Board is responsible for approving its own budgets, appointing personnel, and accounting and financing related activities. Students from the North Central School District may attend the Career Center.

Wayne County Schools Council

The District, in conjunction with four other Wayne County school districts, has created the Wayne County Schools Council (the Council) for the purpose of providing a Health Care Benefits program. Other school districts participating in the Council are Dalton Local, Green Local, Northwestern Local, and Southeast Local.

The Board of Directors is comprised of one representative from each school district. Northwestern Local School District serves as fiscal agent for the Council.

Through the Wayne County Schools Council, the District offers its employees a health care program through Medical Mutual of Ohio (MMO). Insurance rates are set by MMO, and payment is made to MMO, through the Council's fiscal agent.

Administrative costs are determined annually by the Board of Directors. The fees are paid out of the reserve balance fund for administrative and consultant fees.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district functions or activities.

Separate funds are established to segregate money and other resources whose use is limited to a particular purpose either by state statute or by the resource provider. This separation facilitates the demonstration of compliance with these external restrictions and satisfies external reporting requirements. Separate funds are also used to split government activities which are similar to those of profit oriented organizations from those for which no correlation exists between the amount of revenues received and the services provided.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities, except those accounted for in proprietary and trust funds, are accounted for through Governmental Fund Types.

The Governmental Fund category includes the following:

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting (Continued)

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

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

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary and Non-Expendable Trust Funds).

Proprietary Fund Type

Proprietary Funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the District's business and quasi-business activities, where net income and capital maintenance are measured are accounted for through Proprietary Fund Types.

The following is the District's Proprietary Fund type:

Enterprise Funds - Enterprise Funds are used to account for operations 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 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.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds.

The Fiduciary Fund types are as follows:

Expendable Trust Funds - Expendable Trust Funds account for resources, including both principal and earnings, which must be expended according to the provisions of a trust agreement. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds.

Non-Expendable Trust Funds - Non-Expendable Trust Funds account for trust principal, which may not be expended. Only interest earned on the principal may be used for trust operations. Non-Expendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting (Continued)

Agency Funds - Agency Funds are purely custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group (GFAAG) - This account group is established to account for all fixed assets of the District, except those accounted for in the Proprietary or Non-Expendable Trust Funds.

General Long-Term Obligation Account Group (GLTOAG) - This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary or Non-Expendable Trust Funds.

B. Measurement Focus and Basis of Accounting

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

All Proprietary and Non-Expendable Trust Funds 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 balance sheet. Fund equity (i.e., net total assets) is disclosed as retained earnings. Proprietary Fund type and Non-Expendable Trust Fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is 60 days after year-end.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property tax available as an advance, investment earnings, tuition, grants and entitlements, and student fees.

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

The District reports deferred revenue on its combined balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue. In the proprietary fund type, unused donated commodities are reported as deferred 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. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by the employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. Unbilled service charges are recognized as revenue at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriations Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Any budgetary modifications at the legal level of control may only be made by resolution of the Board of Education.

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

Tax Budget

Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Wayne County Budget Commission for tax rate determination.

Estimated Resources

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 the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. 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 in the final Amended Certificate issued during fiscal year 2002.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data (Continued)

Appropriations

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate stating no new certificate is necessary, the annual Appropriations Resolution must be legally enacted by the Board of Education at the fund level for all funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. The total of expenditures and encumbrances, by Fund, may not exceed appropriation totals. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations and appropriation modifications. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions. 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.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for Governmental Funds and the Expendable Trust Fund and in the notes to the financial statements for Proprietary Funds and the Non-Expendable Trust Funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments

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

During fiscal year 2002, investments were limited to a Liquid Asset Management Account (LAM) and STAR Ohio.

Nonparticipating investment contracts, such as nonnegotiable certificates of deposit are reported at cost. Investments in the LAM account and STAR Ohio are reported at fair market value which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) and Liquid Asset Management Account (LAM) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002. LAM is an investment pool managed by Fifth Third Bank.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$141,478, which includes \$23,065 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with a maturity 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 considered to be investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items are recorded as an expense in the proprietary fund types when used. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500.

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 capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of 5-20 years.

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenue, such as grants awarded on a non-reimbursement basis and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Homestead & Rollback
State Personal Property \$10,000 Exemption
School Bus Purchase

Permanent Improvement Fund

State Homestead & Rollback
State Personal Property \$10,000 Exemption

Bond Retirement Fund

State Homestead & Rollback
State Personal Property \$10,000 Exemption

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information System (EMIS)

OhioReads

Public School Preschool

Safe and Drug Free Schools

SchoolNet Professional Development

Title VI-B

Title VI-R

Title II

Title IV

Title I

Title VI

Capital Projects Funds

SchoolNet Plus

Reimbursable Grants

General Fund

Special Education Tutor Reimbursement

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements totaled approximately sixty-six percent (66%) of the District's operating revenues during the 2002 fiscal year.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's severance policy.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences (Continued)

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

I. Accrued Liabilities and Long-Term Obligations

In general, Governmental Fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds are reported as a liability of the general long-term obligations account group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a BWC refund reserve. This cash is restricted by the District and can be used only after receiving approval from the District's Board of Education. A fund balance reserve has also been established.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance Reserves

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2002, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital maintenance, and BWC refund reserve. Disclosure of this information is required by State statute.

	Textbooks Reserve	Capital Maintenance Reserve	BWC Refund Reserve	Total
Set-Aside Cash Balance as of June 30, 2001	\$ 0	\$ 0	\$ 38,389	\$ 38,389
Current Year Set-Aside Requirement	161,238	161,238	0	322,476
Offset Credit	0	(103,337)	0	(103,337)
Qualifying Disbursements	(217,341)	(189,145)	0	(406,486)
Total	<u>\$ (56,103)</u>	<u>\$ (131,244)</u>	<u>\$ 38,389</u>	<u>\$ (148,958)</u>
Set-Aside Cash Balance Carried Forward to Future Fiscal Years	<u>\$ (56,103)</u>	<u>\$ 0</u>	<u>\$ 38,389</u>	
Amount Restricted for Set-Asides				<u>\$ 38,389</u>
Total Restricted Assets				<u>\$ 38,389</u>

The District had qualifying disbursements during the fiscal year that reduced the set aside amount to below zero for the textbook set-aside. This extra amount may be used to reduce the set-aside requirement of future years. Although the District had qualifying disbursements and offset credits during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$38,389.

M. Estimates

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Total Columns on General Purpose Financial Statements

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

O. Contributions of Capital

Contributed capital is recorded in proprietary funds that have received capital grants, or contributions from developers, customers, or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue beginning in fiscal year 2001 and a component of retained earnings at fiscal year-end. There were no capital contributions received by the enterprise funds in 2002. Contributed capital in the enterprise funds at June 30, 2002, is \$1,525. This amount originated prior to GASB Statement No. 33.

NOTE 3 – ACCOUNTABILITY

Deficit Fund Balances

Fund balances at June 30, 2002 included the following fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balances</u>
Title I	\$14,256
Title VI-B	3,593
Title VI-R	54
Title VI	13

These funds complied with Ohio State Law, which does not allow a cash deficit at year-end.

The deficit fund balances in the Title I, Title VI-B, Title VI-R and Title VI Special Revenue Funds are a result of accruing wage obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues not recognized at June 30.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is 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 and described above is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Similar Fiduciary Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Similar Fiduciary Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis)
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure for proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

*Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Similar Fiduciary Funds*

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	(\$1,758)	(\$7,974)	(\$144,445)	(\$35,033)	(\$48)
Revenue Adjustment	126,724	(25)	5,162	5,516	(1)
Expenditure Adjustment	60,340	16,728	0	(194)	0
Adjustments for Encumbrances	<u>(89,378)</u>	<u>(11,206)</u>	<u>0</u>	<u>(15,056)</u>	<u>0</u>
Budget Basis	<u>\$95,928</u>	<u>(\$2,477)</u>	<u>(\$139,283)</u>	<u>(\$44,767)</u>	<u>(\$49)</u>

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

*Net Income / Excess of Revenues Over (Under) Expenses
Proprietary Fund Type and Similar Fiduciary Funds*

	<u>Enterprise</u>	Non-Expendable <u>Trust</u>
GAAP Basis	4,127	\$11
Revenue Adjustment	(38,771)	0
Depreciation Expense	1,184	0
Expenditure Adjustment	25,115	0
Encumbrances	<u>(4,350)</u>	<u>0</u>
Budget Basis	<u>(\$12,695)</u>	<u>\$11</u>

NOTE 5 - CASH AND CASH EQUIVALENTS

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 depository 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are public 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. In general, investments must mature or be redeemable within two years from the date of purchase.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligations or security issued by the United States, or any other obligations guaranteed as to principal or interest by the United States;

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investment in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Investment Pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two higher rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectations 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.

Protection of the District's cash and investments is provided by the Federal Deposit Insurance Corporation or by a single collateral pool established by the financial institution to secure repayment of all public monies deposited with the financial institution.

The following information classifies deposits and investments by categories as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Repurchase Agreements":

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

Deposits

At year-end, the carrying amount of the District's deposits was \$62,235 and the bank balance was \$478,202. Of the bank balance:

1. \$132,083 was covered by federal depository insurance; and
2. \$346,119 was covered by collateral held in the pledging bank's trust department in the District's name.

Investments

The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the District's name. Fifth Third LAM and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Value</u>	<u>Fair Value</u>
STAR Ohio	\$971,236	\$971,236
Fifth Third LAM	<u>1,547,552</u>	<u>1,547,522</u>
Total	<u>\$2,518,788</u>	<u>\$2,518,788</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

Investments (Continued)

A reconciliation between the classifications of cash and cash equivalents and investment on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$2,581,023	\$0
Investments of the Cash Management Pool:		
LAM Account	(1,547,552)	1,547,552
Investment in STAR Ohio	<u>(971,236)</u>	<u>971,236</u>
GASB Statement No. 3	<u>\$62,235</u>	<u>\$2,518,788</u>

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 by the county are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Property tax revenue received during calendar year 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages at true value; public utility real property is assessed at 35% of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25% of true value.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, the payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Wayne and Medina Counties. The respective County Auditors periodically advance to the District its portion of the taxes collected. Second half real property tax payments collected by June 30, 2002 are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The full tax rate applied to real property for the tax year 2001 was \$32.00 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$23.61 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$23.61 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the tax year 2002 was \$31.20 per \$1,000 of assessed valuation.

The respective County Treasurers collect property tax on behalf of all taxing districts in their respective counties. The County Auditors periodically remit to the District its portion of taxes. Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property, and public utility taxes, which were measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue.

Amount Available to the District as an Advance at June 30, 2002

General Fund	\$ 260,818
Permanent Improvement Fund	<u>9,494</u>
Total Available	<u>\$270,312</u>

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of taxes, accounts, 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.

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002 follows:

Furniture and Equipment	\$73,727
Less Accumulated Depreciation	<u>(47,869)</u>
Net Fixed Assets	<u>\$25,858</u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

	Balance <u>7/1/01</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/02</u>
Land and Improvements	\$86,581	\$0	\$0	\$86,581
Buildings	4,511,017	143,517	29,960	4,624,574
Furniture & Equipment	1,166,856	120,108	65,521	1,221,443
Vehicles	<u>822,688</u>	<u>117,614</u>	<u>13,916</u>	<u>926,386</u>
Total	<u>\$6,587,142</u>	<u>\$381,239</u>	<u>\$109,397</u>	<u>\$6,858,984</u>

There was no significant construction in progress at June 30, 2002.

NOTE 9 - RISK MANAGEMENT

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. The District maintains comprehensive insurance coverage with private carriers to minimize its risk exposure.

Property and Vehicle Insurance

The District has a comprehensive property insurance policy with Indiana Insurance Company and a comprehensive vehicle insurance policy with Westfield Insurance Company. The property insurance policy has deductibles of \$250 and \$1,000 based on type of loss and the vehicle insurance policy has various deductibles based on type of loss.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 9 - RISK MANAGEMENT (Continued)

Liability Insurance

All District employees, including Board Members, are provided with liability insurance underwritten by the Ohio School Risk Sharing Authority. The limits of this coverage are \$1,000,000 per occurrence and \$5,000,000 in the aggregate. The District purchases an additional \$25,000 defense coverage for legal fees and defense costs against charges of deliberately and intentionally causing an employee harm through their work assignment and an additional \$1,000,000 in employee benefits liability coverage to provide protection for errors made in the administration of the fringe benefit program.

Employee Bonds

The District provides a \$25,000 surety bond through The Hamilton Mutual Insurance Company for the Board President, Superintendent, and Treasurer and a public employees dishonesty bond through The Hamilton Mutual Insurance Company for other employees who handle money.

Workers Compensation Insurance

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating District pays an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representative with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates, McDonald & Company provides administrative, cost control and actuarial services to the GRP.

Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees through the Great American Reserve Insurance Company.

Dental Insurance

The District provides dental insurance to most employees through the CoreSource Company.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 9 - RISK MANAGEMENT (Continued)

Medical Insurance

The District has elected to provide employees with comprehensive medical, surgical, and drug benefits through the minimum premium-insurance from Medical Mutual of Ohio program.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

The District provides retirement benefits to all certificated employees under the State Teachers Retirement System and to all noncertified employees under the School Employees Retirement System.

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established 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 for SERS. This report may be obtained by writing to the School Employees Retirement System, 300 East Broad, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll; 5.46% was the portion used to fund pension obligations. For fiscal year 2001, 4.20% was used to fund pension obligations. The adequacy of the contribution rates is determined annually. In addition to the salary contributions, the District pays an additional 14% contribution on salaries of employees who are paid below a level established annually by SERS actuaries. This additional contribution is referred to as the "employer surcharge."

The District's required contributions for pension obligations, including the employer surcharge, to SERS for fiscal years ended June 30, 2002, 2001, and 2000 were \$154,966, \$153,624 and \$143,109, respectively. 49% has been contributed for fiscal year 2002 and 100 percent for fiscal year 2001 and 2000. \$81,922, representing the unpaid contribution and surcharge for fiscal year 2002, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District also contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

B. State Teachers Retirement System (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$554,796, \$529,326 and \$494,736, respectively. 86% has been contributed for fiscal year 2002, and 100% for fiscal years 2001 and 2000. \$91,404, representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

NOTE 11 - POST-EMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care costs in the form of a monthly premium. By Ohio law, the cost of coverage paid from the STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$152,294 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001 (the latest information available), the balance in the Fund was \$3.256 billion. For the fiscal year ended June 30, 2001, eligible benefit recipients totaled 102,132 and net health care costs paid by STRS were \$300,772,000.

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. Employer contributions to fund health care benefits were 8.54% of covered payroll, a decrease of 1.26% from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$86,421.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 11 - POST-EMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14% employer contribution provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. The number of participants currently receiving health care benefits is approximately 50,000.

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from Board policy and negotiated agreements.

Eligible classified employees and administrators earn from 7 to 20 days of vacation per year, depending upon length of service in the District. Accumulated, unused vacation time is paid to these employees upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of 1-1/4 days per month. Sick leave may be accumulated up to maximums established by Board policy and negotiated agreements. Upon retirement of teachers or classified employees, payment is made for 25% of the total accumulated, unused sick leave up to a maximum of 68 days. Upon retirement of administrators, payment is made for 30% of the total accumulated, unused sick leave up to a maximum of 68 days.

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for the acquisition of copiers. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the Combined Financial Statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease totaled \$50,222 and have been capitalized in the general fixed asset account group in an amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term debt account group. Accumulated amortization on those assets totaled \$50,222. All leases have been paid off prior to June 30, 2002.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2002 were as follows:

	Principal Outstanding 7/1/01	Additions	Reductions	Principal Outstanding 6/30/02
General Obligation Bonds:				
School Facilities 1987 6-1/8%	\$280,000	\$0	\$140,000	\$140,000
Energy Conservation 1996 - 5.7%	430,000	0	60,000	370,000
Total General Obligation Bonds	710,000	0	200,000	510,000
Capital Leases:				
Copiers	15,226	0	15,226	0
Other Liabilities:				
SERS Pension & Surcharge	63,443	57,574	63,443	57,574
Compensated Absences	556,086	108,247	19,472	644,861
Total Long-Term Obligations	\$1,344,755	\$165,821	\$298,141	\$1,212,435

School Facilities General Obligation Bonds - On March 1, 1987, the District issued \$2,100,000 in voted general obligation bonds for the purpose of an addition and improvement to the elementary and middle school buildings. The bonds were issued for a 15 year period with final maturity at December 1, 2002. The bonds will be retired from the debt service fund.

Energy Conservation General Obligation Bonds - On August 1, 1996, the District issued \$645,000 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The bonds were issued for a 10 year period with final maturity at December 1, 2006. The bonds will be retired from the debt service fund.

Compensated absences and the SERS pension obligation and surcharge will be paid from the fund from which the employees' salaries are paid.

The District's voted legal debt margin was \$9,347,290, with an unvoted debt margin of \$615,729 at June 30, 2002.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2002 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2003	\$205,000	\$23,268	\$228,268
2004	70,000	15,200	85,200
2005	75,000	11,140	86,140
2006	80,000	6,800	86,800
2007	80,000	2,280	82,280
Total	<u>\$510,000</u>	<u>\$58,688</u>	<u>\$568,688</u>

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two Enterprise Funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds of the District for the fiscal year ended June 30, 2002:

	Food Service	Uniform School Supplies	Total
Operating Revenues	\$ 215,955	\$ 45,419	\$ 261,374
Operating Expenses Before Depreciation	348,371	53,246	401,616
Depreciation	1,184	0	1,184
Operating (Loss)	(133,599)	(7,827)	(141,426)
Donated Commodities	29,113	0	29,113
Operating Grants	83,378	0	83,378
(Loss) Before Operating Transfers	(21,102)	(7,827)	(28,929)
Net Income (Loss)	11,954	(7,827)	4,127
Net Working Capital	17,187	38,439	55,626
Total Assets	50,841	39,274	90,115
Total Equity	21,021	38,439	59,460
Reserve for Encumbrances	0	4,350	4,350

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

(Continued)

NOTE 16 - CONTINGENCIES

Grants

The District receives financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District.

NOTE 17 - STATE SCHOOL FUNDING DECISION

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

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Passed Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Education <i>(Passed through the Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-2001			\$2,562	
		C1-S1-2002	\$134,742		134,742	
Total Title I Grants to Local Educational Agencies			134,742		137,304	
Special Education Cluster:						
Special Education Grants to States	84.027	6B-SF-01P			4,450	
		6B-SF-02P	104,440		104,440	
Total Special Education Cluster			104,440		108,890	
Safe and Drug-Free Schools and Communities State Grants	84.186	DR-S1-2001			5,730	
		DR-S1-2002	5,312		5,312	
Total Safe and Drug-Free and Communities State Grants			5,312		11,042	
Innovative Education Program Strategies	84.298	C2-S1-2002	7,000		7,000	
Eisenhower Professional Development State Grants	84.281	MS-S1-2001			3,397	
		MS-S1-2002	6,086		4,903	
Total Eisenhower Professional Development State Grants			6,086		8,300	
Class Size Reduction	84.340	CR-S1-2002	28,213		28,213	
School Renovation Grant	84.352	AT-S1-2002	2,995		2,995	
Total U.S. Department of Education			288,788		303,744	
U.S. Department of Health and Human Services <i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	93.778	N/A	6,605		6,605	
U.S. Department of Agriculture <i>(Passed through the Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Food Donation	10.550	N/A		\$28,130		\$29,113
National School Lunch Program	10.555	N/A	67,818		67,818	
Total Child Nutrition Cluster			67,818	28,130	67,818	29,113
Child and Adult Care Food Program	10.558	N/A	3,461		3,461	
Total U.S. Department of Agriculture			71,279	28,130	71,279	29,113
Totals			<u>\$366,672</u>	<u>\$28,130</u>	<u>\$381,628</u>	<u>\$29,113</u>

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



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

North Central Local School District
Wayne County
350 South Main Street
Creston, Ohio 44217

To the Board of Education:

We have audited the general purpose financial statements of the North Central Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated November 15, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2002-10985-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 15, 2002.

This report is intended for the information and use of management, the Audit Committee, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

November 15, 2002



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

North Central Local School District
Wayne County
350 South Main Street
Creston, Ohio 44217

To the Board of Education:

Compliance

We have audited the compliance of the North Central Local School District, Wayne 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 are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 15, 2002.

This report is intended for the information and use of management, the Audit Committee, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

November 15, 2002

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.010 – Title I Grants to Local Educational Agencies
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2002-10985-001

Reportable Condition

GAAP Conversion Plan

The District uses an old generic generally accepted accounting principles (GAAP) guide prepared by the Auditor of State's Local Government Services Division to prepare its GAAP conversion. This guide has not been updated in several years and was not tailored for the District.

Numerous errors were noted with the GAAP conversion including, but not limited to, the following:

- Numerous calculation errors;
- The incorrect County Auditor Certificate was used for the initial calculation of Taxes Receivable;
- The trial balances reflected the incorrect beginning balance for the budget stabilization reserve;
- Class Size Reduction Special Revenue Fund activity was included with the General Fund;
- The combined statement of revenues, expenditures and changes in fund balances – all governmental fund types and similar fiduciary funds reflected negative expenditures for the debt service line items (Principal and interest);
- Numerous rounding errors;
- Journal entries not posted correctly;
- Amounts not properly reclassified for GAAP reporting purposes;
- Amounts that should equal on various statements but did not; and
- Various adjustments not made in accordance with GAAP.

As a result of these errors, additional accounting services were necessary to correct the general purpose financial statements.

The lack of an updated written plan increases the chance of errors occurring during the conversion process due to inconsistencies of accounting principles used from year to year and errors from incorrect reversing and adjusting entries.

The District should consider developing a formal GAAP Conversion Plan. Once a successful plan is developed, it can be a useful tool to guide the District in preparing its financial statements. The GAAP Conversion Plan would assist the District in compiling financial statements more easily and allow for consistency in the statements between periods. Finally, the GAAP Conversion Plan can also serve as an effective resource for auditors when trying to determine the policies used and treatment applied to various accounts in the District's financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2001-10985-001	Reportable Condition recommending the District prepare an updated GAAP conversion plan and seek assistance from an outside consultant to assist in GAAP preparation.	No	Partially Corrected – The District did hire an outside consulting firm to assist in the preparation of Cash Flow Statements and review draft financials and related notes; however, the District never adopted a formal GAAP conversion plan and problems were still encountered. A similar comment will be made in the report as finding number 2002-10985-001.



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NORTH CENTRAL LOCAL SCHOOL DISTRICT

WAYNE 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
JANUARY 2, 2003**