



**Auditor of State
Betty Montgomery**

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

North Central Local School District
Williams County
400 East Baubice Street
Pioneer, Ohio 43554-9637

To the Board of Education:

We have audited the accompanying general-purpose financial statements of North Central Local School District (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 North Central Local School District, Williams County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type 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 January 31, 2003, 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty D. Montgomery
Auditor of State

January 31, 2003

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**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,379,149	\$75,855	\$486,408	\$7,466
Receivables:				
Taxes	2,074,149		361,604	
Accounts	10,223	64		
Intergovernmental		25,907		
Interfund Receivable	19,800			
Materials and Supplies Inventory				
Prepaid Items	21,269			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	43,457			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
Total Assets and Other Debits	\$3,548,047	\$101,826	\$848,012	\$7,466

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$26,931	\$84,440			\$2,060,249
				2,435,753
476				10,763
				25,907
3,820				19,800
				3,820
				21,269
				43,457
82,571 (46,433)		\$7,367,881		7,450,452 (46,433)
			\$486,408	486,408
			2,690,582	2,690,582
\$67,365	\$84,440	\$7,367,881	\$3,176,990	\$15,202,027

(Continued)

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2002
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$183,141	\$6,192		
Accrued Wages and Benefits	430,531	16,668		
Compensated Absences Payable	7,241			
Interfund Payable				
Intergovernmental Payable	68,884	1,433		
Deferred Revenue	1,958,796	25,907	\$350,231	
Undistributed Monies				
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	2,648,593	50,200	350,231	
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	125,352	19,367		
Reserved for Prepaid Items	21,269			
Reserved for Debt Service Principal			486,408	
Reserved for Property Taxes	115,353		11,373	
Reserved for Textbooks and Instructional Materials	34,829			
Reserved for Budget Stabilization	8,628			
Unreserved, Undesignated	594,023	32,259		\$7,466
Total Fund Equity and Other Credits	899,454	51,626	497,781	7,466
Total Liabilities, Fund Equity and Other Credits	\$3,548,047	\$101,826	\$848,012	\$7,466

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$257	\$150			\$189,740
14,556				461,755
9,392			\$423,100	439,733
19,800				19,800
6,307			33,890	110,514
1,699				2,336,633
	10,104			10,104
	43,625			43,625
			2,720,000	2,720,000
52,011	53,879		3,176,990	6,331,904
		\$7,367,881		7,367,881
15,354				15,354
				144,719
				21,269
				486,408
				126,726
				34,829
				8,628
	30,561			664,309
15,354	30,561	7,367,881		8,870,123
\$67,365	\$84,440	\$7,367,881	\$3,176,990	\$15,202,027

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$2,306,892	\$170,347
Interest	27,999	257
Tuition and Fees	4,788	
Rent	212	
Extracurricular Activities		47,654
Gifts and Donations	508,646	
Property and Other Local Taxes	2,122,468	
Miscellaneous	20,518	3,291
Total Revenues	4,991,523	221,549
Expenditures:		
Instruction:		
Regular	2,272,366	54,875
Special	356,238	112,426
Vocational	104,536	
Adult/Continuing		138
Other	12,913	
Support services:		
Pupils	141,250	4,915
Instructional Staff	214,395	22,175
Board of Education	13,435	
Administration	419,419	3,797
Fiscal	136,001	798
Operation and Maintenance of Plant	510,850	
Pupil Transportation	300,417	
Central	249,906	12,000
Non-Instructional Services	5,595	684
Extracurricular activities	93,290	49,223
Debt Service:		
Principal		
Interest		
Total Expenditures	4,830,611	261,031
Excess of Revenues Over (Under) Expenditures	160,912	(39,482)
Other Financing Sources		
Proceeds from Sale of Fixed Assets	3,000	
Other Financing Sources	7,703	
Total Other Financing Sources	10,703	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	171,615	(39,482)
Fund Balance at Beginning of Year	727,839	91,108
Fund Balance at End of Year	\$899,454	\$51,626

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$37,639	\$18,962		\$2,533,840
10,845		\$1,035	40,136
			4,788
			212
			47,654
		2,442	511,088
368,053			2,490,521
			23,809
<u>416,537</u>	<u>18,962</u>	<u>3,477</u>	<u>5,652,048</u>
	42,682		2,369,923
			468,664
			104,536
			138
			12,913
			146,165
			236,570
			13,435
			423,216
8,955	1,290		145,754
			512,140
			300,417
			261,906
		3,750	10,029
			142,513
105,000			105,000
172,741			172,741
<u>286,696</u>	<u>43,972</u>	<u>3,750</u>	<u>5,426,060</u>
<u>129,841</u>	<u>(25,010)</u>	<u>(273)</u>	<u>225,988</u>
			3,000
			7,703
			10,703
129,841	(25,010)	(273)	236,691
367,940	32,476	30,834	1,250,197
<u>\$497,781</u>	<u>\$7,466</u>	<u>\$30,561</u>	<u>\$1,486,888</u>

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$2,036,499	\$2,306,892	\$270,393
Interest	24,701	27,999	3,298
Tuition and Fees	4,165	4,738	573
Rent	83	83	
Extracurricular Activities			
Gifts and Donations	449,012	508,646	59,634
Property and Other Local Taxes	1,981,907	2,105,708	123,801
Miscellaneous	9,262	10,474	1,212
Total Revenues	4,505,629	4,964,540	458,911
Expenditures:			
Current:			
Instruction:			
Regular	2,242,151	2,268,808	(26,657)
Special	343,204	352,611	(9,407)
Vocational	116,379	117,832	(1,453)
Adult/Continuing			
Other	14,978	15,390	(412)
Support services:			
Pupils	145,287	148,374	(3,087)
Instructional Staff	205,235	210,555	(5,320)
Board of Education	17,535	13,185	4,350
Administration	431,761	440,190	(8,429)
Fiscal	151,509	155,384	(3,875)
Operation and Maintenance of Plant	526,125	534,555	(8,430)
Pupil Transportation	348,766	356,631	(7,865)
Central	123,715	102,717	20,998
Non-Instructional Services	4,941	5,076	(135)
Extracurricular activities	92,658	93,331	(673)
Debt Service:			
Principal			
Interest			
Total Expenditures	4,764,244	4,814,639	(50,395)
Excess of Revenues Over (Under) Expenditures	(258,615)	149,901	408,516
Other Financing Sources and Uses			
Proceeds from Sale of Fixed Assets	2,664	3,000	336
Refund of Prior Year Expenditures	6,963	7,872	909
Refund of Prior Year Receipts	(271)	(270)	1
Advances Out	(8,000)	(8,000)	
Total Other Financing Sources and Uses	1,356	2,602	1,246
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(257,259)	152,503	409,762
Fund Balances at Beginning of Year	1,030,359	1,030,359	
Prior Year Encumbrances Appropriated	84,984	84,984	
Fund Balance at end of Year	\$858,084	\$1,267,846	\$409,762

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$160,469	\$170,338	\$9,869	\$27,948	\$37,639	\$9,691
247	257	10	8,052	10,845	2,793
45,339	47,654	2,315			
			283,250	366,265	83,015
3,066	3,227	161			
209,121	221,476	12,355	319,250	414,749	95,499
76,527	75,065	1,462			
120,634	114,344	6,290			
124	138	(14)			
4,534	4,915	(381)			
28,073	26,209	1,864			
3,430	3,802	(372)			
719	798	(79)	9,000	8,955	45
10,917	12,000	(1,083)			
617	684	(67)			
45,919	50,927	(5,008)			
			105,000	105,000	
			172,741	172,741	
291,494	288,882	2,612	286,741	286,696	45
(82,373)	(67,406)	14,967	32,509	128,053	95,544
(82,373)	(67,406)	14,967	32,509	128,053	95,544
100,329	100,329		358,355	358,355	
17,373	17,373				
\$35,329	\$50,296	\$14,967	\$390,864	\$486,408	\$95,544

(Continued)

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental		\$18,962	\$18,962
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues		18,962	18,962
Expenditures:			
Current:			
Instruction:			
Regular	\$34,973	46,039	(11,066)
Special			
Vocational			
Adult/Continuing			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant	861	1,290	(429)
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Debt Service:			
Principal			
Interest			
Total Expenditures	35,834	47,329	(11,495)
Excess of Revenues Over (Under) Expenditures	(35,834)	(28,367)	7,467
Other Financing Sources and Uses			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Refund of Prior Year Receipts			
Advances Out			
Total Other Financing Sources and Uses			
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(35,834)	(28,367)	7,467
Fund Balances at Beginning of Year	32,453	32,453	
Prior Year Encumbrances Appropriated	3,380	3,380	
Fund Balance at end of Year	(\$1)	\$7,466	\$7,467

The notes to the general-purpose financial statements are an integral part of this statement.

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$2,224,916	\$2,533,831	\$308,915
\$874	\$1,035	\$161	33,874	40,136	6,262
			4,165	4,738	573
			83	83	
			45,339	47,654	2,315
2,070	2,442	372	451,082	511,088	60,006
			2,265,157	2,471,973	206,816
			12,328	13,701	1,373
<u>2,944</u>	<u>3,477</u>	<u>533</u>	<u>5,036,944</u>	<u>5,623,204</u>	<u>586,260</u>
			2,353,651	2,389,912	(36,261)
			463,838	466,955	(3,117)
			116,379	117,832	(1,453)
			124	138	(14)
			14,978	15,390	(412)
			149,821	153,289	(3,468)
			233,308	236,764	(3,456)
			17,535	13,185	4,350
			435,191	443,992	(8,801)
			161,228	165,137	(3,909)
			526,986	535,845	(8,859)
			348,766	356,631	(7,865)
2,750	3,750	(1,000)	134,632	114,717	19,915
			8,308	9,510	(1,202)
			138,577	144,258	(5,681)
			105,000	105,000	
			172,741	172,741	
<u>2,750</u>	<u>3,750</u>	<u>(1,000)</u>	<u>5,381,063</u>	<u>5,441,296</u>	<u>(60,233)</u>
<u>194</u>	<u>(273)</u>	<u>(467)</u>	<u>(344,119)</u>	<u>181,908</u>	<u>526,027</u>
			2,664	3,000	336
			6,963	7,872	909
			(271)	(270)	1
			(8,000)	(8,000)	
			1,356	2,602	1,246
194	(273)	(467)	(342,763)	184,510	527,273
30,834	30,834		1,552,330	1,552,330	
			105,737	105,737	
<u>\$31,028</u>	<u>\$30,561</u>	<u>(\$467)</u>	<u>\$1,315,304</u>	<u>\$1,842,577</u>	<u>\$527,273</u>

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$160,225
Total Operating Revenues	160,225
Operating Expenses	
Salaries	71,616
Fringe Benefits	36,958
Purchased Services	9,133
Materials and Supplies	117,063
Depreciation	4,393
Total Operating Expenses	239,163
Operating Loss	(78,938)
Non-Operating Revenues	
Federal Donated Commodities	24,762
Interest	302
Federal and State Subsidies	44,631
Total Non-Operating Revenues	69,695
Net Loss	(9,243)
Retained Earnings at Beginning of Year (Restated)	24,597
Retained Earnings at End of Year	\$15,354

The notes to the general-purpose financial statements are an integral part of this statement.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

	Proprietary Fund Type
	Enterprise
Increase in Cash and Cash Equivalents	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$160,117
Cash Payments to Suppliers for Goods and Services	(91,177)
Cash Payments for Contract Services	(9,133)
Cash Payments for Employee Services	(71,645)
Cash Payments for Employee Benefits	(37,089)
Net Cash Used by Operating Activities	(48,927)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	44,631
Advances In	8,000
Net Cash Provided by Noncapital Financing Activities	52,631
<u>Cash Flows from Investing Activities:</u>	
Interest Received	302
Net Cash Provided by Investing Activities	302
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(1,595)
Net Cash Used by Capital and Related Financing Activities	(1,595)
Net Increase in Cash and Cash Equivalents	2,411
Cash and Cash Equivalents at Beginning of Year	24,520
Cash and Cash Equivalents at End of Year	\$26,931

(Continued)

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

	Proprietary Fund Type
	Enterprise
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	(\$78,938)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:</u>	
Depreciation	4,393
Donated Commodities Used During the Year	24,762
Adjustments to Capital Outlay	466
(Increase) Decrease in Assets:	
Accounts Receivable	(108)
Material and Supplies Inventory	968
Increase (Decrease) in Liabilities:	
Accounts Payable	(97)
Compensated Absences Payable	319
Intergovernmental Payable	(245)
Deferred Revenue	(213)
Accrued Wages and Benefits	(234)
	30,011
Net Cash Used by Operating Activities	(\$48,927)

The Food Service Fund consumed donated commodities with a value of \$24,762. The use of these commodities is reflected as an operating expense.

The notes to the general-purpose financial statements are an integral part of this statement.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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. North Central Local School District is a local school district as defined by § 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's one instructional and support facility.

The Reporting Entity

The District has implemented the Government Accounting Standards Board (GASB) pronouncements concerning the definition of the reporting entity. Accordingly, the District's balance sheet includes all funds, account groups, agencies, boards, commissions, and component units over which the District officials exercise oversight responsibility.

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by District full faith and credit or revenues, and responsibility for funding deficits. On this basis, there were no organizations subject to the District's oversight responsibility, which required incorporation into the financial statements.

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, Northwest Ohio Educational Research Council, Inc., and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the general-purpose financial statements.

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 the proprietary funds 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 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.

The enterprise 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 this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

earnings components. The enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The Agency funds are custodial in nature and do not present results of operations or have a measurement focus.

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 fund types, expendable trust, and agency funds. The full accrual basis of accounting is followed by the enterprise funds.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, includes property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements included timing requirements, which specify the year when the revenue 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 specific purpose, and expenditure requirements, in which the resources provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. 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

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accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds and expendable trust funds.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Funds

The funds through which most Board of Education functions are typically financed.

General Fund - The fund used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

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

Debt Service Funds - The funds used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

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

2. Proprietary Funds

The funds used to account for Board activities that are similar to business operations in the private sector.

Enterprise Funds - The funds 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 of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

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3. Fiduciary Funds

The funds used to account for assets not owned by the Board, but held for a separate entity.

Trust Funds - The funds used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds.

Agency Funds - The funds used to account for assets held by the District as an agent. The District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis.

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

1. Prior to January 15, the Treasurer submits 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. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund and cost center level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund and cost center without approval of the Board of Education.

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The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.

6. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types and expendable trust fund for the year ended June 30, 2002 follows:

Excess of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget basis	\$152,503	(\$67,406)	\$128,053	(\$28,367)	(\$273)
Adjustments for:					
Revenue accruals	26,983	72	1,788		
Expenditure accruals	(170,733)	2,293		3,357	
Other financing sources (uses)	8,101				
Encumbrances	154,761	25,559			
GAAP Basis	\$171,615	(\$39,482)	\$129,841	(\$25,010)	(\$273)

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Pooled Cash and Investments

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

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During fiscal year 2002, investments were limited to nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) 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.

Following Ohio statutes, the District has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General, Special Revenue, Debt Service, Expendable Trust and Enterprise Funds during fiscal year 2002 amounted to \$27,999, \$257, \$10,845, \$1,035, and \$302, respectively.

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 remaining maturity of three months or less when acquired by the District are considered to be cash equivalents.

F. Estimates

The preparation of 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.

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost (first in, first out) or market, and are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

H. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Improvements are capitalized. The cost 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. Interest incurred during construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy. No depreciation is recognized for asset in general fixed assets account group. The District does not have any infrastructure.

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2. Proprietary Funds

Property plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight-line basis over an estimated useful lived of six to twenty years.

I. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants 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 for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems
ONenet Ohio Program
Professional Development Block Grant
Ohio Reads Grant
Summer Intervention Fund
Extended Learning Opportunity
School Reading Improvement
School Conflict Management Project
Safe School Help Line
Eisenhower Grant
Title VI-B
Title I
Title VI
Drug Free School Grant
Continuous Improvement Grant
Title VI-R
School to Work Project

Capital Projects Funds

SchoolNet Plus
IVDL

Reimbursable Grants

Enterprise Funds

National School Lunch Program
Government Donated Commodities

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J. Interfund Transactions

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

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund receivables and interfund payables.

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the District for the purchase of textbooks and the Bureau of Workers' Compensation portion of the budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepaid items, debt service principal, property taxes, textbooks and instructional materials, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for textbooks and instructional materials and the Bureau of Workers' Compensation portion of the budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting 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. 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 termination policy. The District records a liability for accumulated unused sick leave for all employees.

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For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

N. Long-Term Obligations

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

O. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type elimination's have not been made in the combining of the data.

3. ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

During 2002, it was determined that contributed capital in the Enterprise Fund Type as of June 30, 2001, was overstated by \$17,100. The July 1, 2001 retained earnings balance in the Enterprise Fund Type has been increased by \$17,100, from \$7,497 to \$24,597.

This adjustment had the effect of reducing the net loss of \$12,552 as previously reported for the year ended June 30, 2001, by \$17,100, resulting in a net income of \$4,548.

B. Compliance

Contrary to Ohio Revised Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the following fund/special cost centers for the year ended June 30, 2002:

Description	Fund-Special Cost Center	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	001-0000	\$4,737,515	\$4,770,579	(\$33,064)
Bus Purchase Allowance	001-9194	35,000	52,330	(17,330)
Bond Retirement	002-0000	286,441	286,696	(255)
Class of 1960 Scholarship Fund	007-9960	250	750	(500)
Michael Harpster Scholarship Fund	007-9980	500	1,000	(500)
Uniform School Supplies	009-0000	23,414	28,594	(5,180)
Jr. High General Fund	018-9622	2,045	2,919	(874)
High School General Fund	018-9623	250	883	(633)

(Continued)

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Description	Fund-Special Cost Center	Appropriation Authority	Budgetary Expenditures	Variance
Student Managed Accounts	200-0000	94,454	103,798	(9,344)
Athletic Department	300-0000	26,154	50,927	(24,773)
Management Information Systems	432-9590		5,000	(5,000)
Schoolnet Round 5	450-9002		17,860	(17,860)
Onenet	451-9002		7,000	(7,000)
Ohio Reads Coordinator Stipend	459-990A		545	(545)
Ohio Reads Grant	459-990B		2,000	(2,000)
Safe School Help Line	499-9900		684	(684)
Eisenhower Grant - FY 01	514-9201	1,693	1,984	(291)
Eisenhower Grant - FY 02	514-9202		3,537	(3,537)
Drug Free and Safe Schools Grant	584-9002		2,829	(2,829)

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

- A. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- B. Bonds, notes, debentures, or other obligations issued by any federal government agency; 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;

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- C. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- D. Bonds and other obligations of the State of Ohio;
- E. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and
- F. The Ohio State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

At year-end, the District had \$40 in undeposited cash on hand, which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits

At year-end, the carrying amount of the District's deposits was \$363,407 and the bank balance was \$402,395. Of the bank balance:

- 1. \$100,000 was covered by federal depository insurance; and
- 2. \$302,395 was collateralized by securities specifically pledged by the financial institution in the name of the District.

Investments

The District's investments are required to be categorized to give an indication of the level of 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. The investment in STAR Ohio is unclassified as it is not evidenced by securities that exist in physical or book entry form.

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The \$1,740,259 carrying value in the State Treasurer's Investment Pool (Star Ohio) represents the fair value at June 30, 2002. Amounts in Star Ohio cannot be categorized for credit risk because no securities exist in physical or book entry form in the name of the District.

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, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments 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	
	Deposits	Investments
GASB Statement 9	\$2,103,706	
Cash on Hand	(40)	
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(1,740,259)	\$1,740,259
GASB Statement 3	<u>\$363,407</u>	<u>\$1,740,259</u>

5. PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	February and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	April 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

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The County Treasurer collects real estate taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and August.

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in June and November.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2002. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2002. The amount available as an advance at June 30, 2002 was \$126,726. \$115,353 was available to the General Fund and \$11,373 was available to the Debt Service Fund.

The assessed values of properties upon which property tax revenues were based are as follows:

	Amount
Commercial/Industrial	\$8,590,890
Residential/Agricultural	52,164,020
Public Utility Personal and Real Property	2,264,270
General Personal Property	13,747,210
Total valuation	\$76,766,390

6. FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

Asset Category	Balance at 7/1/01	Additions	Disposals	Balance at 6/30/02
Land and improvements	\$706,438			\$706,438
Buildings and improvements	4,505,137			4,505,137
Furniture and equipment	1,071,518	\$32,271		1,103,789
Vehicles	477,045		\$74,566	402,479
Textbooks and library books	590,975	59,063		650,038
Total	\$7,351,113	\$91,334	\$74,566	\$7,367,881

A summary of Enterprise Fund fixed assets at June 30, 2002 follows:

Asset Category	Balance at 6/30/02
Furniture, fixtures, and equipment	\$82,571
Less: accumulated depreciation	(46,433)
Totals	\$36,138

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7. LONG-TERM OBLIGATIONS

During the year ended June 30, 2002, the following changes occurred in obligations reported in the general long term obligations account Group:

	Balance at 7/1/01	Additions	Deductions	Balance at 6/30/02
General Obligation (Serial) Bonds, Series 1992, 5.45% - 5.70%	\$465,000		\$105,000	\$360,000
General Obligation (Term) Bonds, Series 1992, 5.35%	\$2,360,000			\$2,360,000
Pension obligation	32,105	\$1,785		33,890
Compensated absences	399,218	23,882		423,100
Total	<u>\$3,256,323</u>	<u>\$25,667</u>	<u>\$105,000</u>	<u>\$3,176,990</u>

Debt outstanding at June 30, 2002 consisted of General Obligation Bonds totaling \$2,720,000 (interest rate was 6.5 percent at June 30, 2002). The bonds were issued in October 1992 and consist of both serial and term bonds. The serial bonds will mature in December 2004. The term bonds are subject to mandatory sinking fund redemption in part by lot and are redeemed pursuant to mandatory sinking fund requirements at a redemption price of 100% of the principal amount redeemed, plus interest accrued to the redemption date, on the applicable mandatory redemption dates and in the principal amounts payable on those dates set forth in the Certificate of Award. The term bonds will be fully redeemed in December 2014.

Total expenditures for interest for the above debt for the period ended June 30, 2002 was \$172,741.

The scheduled payments of principal and interest on debt outstanding at June 30, 2002 are as follows:

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$110,000	\$166,988	\$276,988
2004	120,000	160,630	280,630
2005	130,000	153,565	283,565
2006	140,000	145,415	285,415
2007	155,000	136,049	291,049
thereafter	2,065,000	655,161	2,720,161
Total	<u>\$2,720,000</u>	<u>\$1,417,808</u>	<u>\$4,137,808</u>

8. RECEIVABLES

Receivables, at June 30, 2002, consisted of taxes, accounts, intergovernmental grants, and interfund activity. All receivables are considered collectable in full due to the ability to foreclosure for the non-payment of taxes, stable condition of State programs, and the current year guarantee of federal funds.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

9. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreement and State laws. Employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment. Employees who are not on an eleven or twelve month contract do not earn vacation time. Employees earn sick leave at the rate of one and one-fourth days for per month. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 224 days.

At June 30, 2002 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$7,241 and \$423,100, respectively. The liability for compensated absences in the proprietary funds at June 30, 2002 was \$9,392.

10. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. Contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$38,275, \$63,957, and \$64,412, respectively; 86 percent has been contributed for fiscal year 2002 and 100 percent of the required contributions for fiscal years 2001 and 2000. \$5,510 representing unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. The plan offers basic retirement benefits, disability, survivor, and comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. 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 requirements supplementary information. That report may be obtained by writing to STRS, 275 E. Broad St., Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2002 were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$239,176, \$248,212, and \$234,647, respectively; 84 percent has been contributed for fiscal year 2002 and 100 percent of the required contributions for fiscal years 2001 and 2000. \$39,266 representing unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

11. POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of monthly premiums.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll. For the District, this amount equaled \$112,553 during fiscal 2002.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2001, the allocation rate is 9.80 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 million. The number of participants currently receiving health care benefits is approximately 50,000. For the District, the amount to fund health care benefits, including the surcharge, equaled \$54,306 during fiscal 2002.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

12. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured. Settled claims have not exceeded the amount of commercial coverage in any of the past three years, and there has been no significant reduction in the amount of insurance coverage from last year.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool (Note 16) consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which include health, dental, and life insurance. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 16). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

13. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 2002 was as follows:

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>NC Good Stuff</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$133,435	\$26,790		\$160,225
Depreciation	4,393			4,393
Operating Loss	(78,430)	(396)	(\$112)	(78,938)
Donated Commodities	24,762			24,762
Interest	164	138		302
Grants	44,631			44,631
Net Loss	(8,873)	(258)	(112)	(9,243)
Fixed Asset Additions	1,129			1,129
Net Working Capital	(33,631)	12,829	18	(20,784)
Total Assets	54,399	12,948	18	67,365
Total Liabilities	51,892	119		52,011
Total Equity	2,507	12,829	18	15,354

14. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2002 consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$19,800	
Enterprise		\$19,800
Total All Funds	<u>\$19,800</u>	<u>\$19,800</u>

15. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. All payments made by the District for services received are made to the Northern Buckeye Education Council. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Centers - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. No payments were made by the District to the Four County Career Center. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

16. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to Northern Buckeye Education Council for insurance benefits were \$451,651. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

During fiscal year 2002 the District paid an enrollment fee of \$550 to the WCGRP to cover the costs of administering the program.

17. AGENCY FUNDS

General Purpose Statement of Changes in Assets and Liabilities			
	Balance at 6/30/01	Change	Balance at 6/30/02
Assets	\$55,020	(\$1,141)	\$53,879
Liabilities	\$55,020	(\$1,141)	\$53,879

18. SET-ASIDE CALCULATIONS AND FUND 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2002, only the unspent portion of certain workers' compensation refunds is set-aside at year end for budget stabilization.

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

	Textbooks	Capital Acquisition	Budget Stabilization	
Set-aside Cash Balance as of June 30, 2001	\$34,829		\$8,628	
Current Year Set-aside Requirement	86,165	\$86,165		
Transferred to General Fund				
Qualifying Disbursements	(86,165)	(129,431)		
Total	\$34,829	(\$43,266)	\$8,628	
Cash Balance Carried Forward to FY 2003	\$34,829		\$8,628	
Amount restricted for Textbooks				\$34,829
Amount restricted for Budget Stabilization				8,628
Total Restricted Assets				\$43,457

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

19. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

20. CONTINGENT LIABILITIES

The District is a party to a legal proceeding which seeks damages or injunctive relief generally incidental to its operations. The District's management and legal counsel is of the opinion that the ultimate disposition of the claim and legal proceeding will not have a material adverse effect on the financial condition of the District.

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**Auditor of State
Betty Montgomery**

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

North Central Local School District
Williams County
400 East Baubice Street
Pioneer, Ohio 43554-9637

To the Board of Education:

We have audited the financial statements of North Central Local School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 31, 2003. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10186-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 31, 2003.

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 2002-10186-002.

North Central Local School District
Williams County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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 January 31, 2003.

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



Betty Montgomery
Auditor of State

January 31, 2003

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2002**

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

FINDING # 2002-10186-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states that no subdivision is to expend money unless it has been appropriated. The following fund/special cost centers (the legal level of control) were found to have expenditures which exceeded appropriations by the amounts indicated at June 30, 2002:

<u>Description</u>	<u>Fund/Special Cost Center</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	001-0000	\$4,737,515	\$4,770,579	(\$33,064)
Bus Purchase Allowance	001-9194	35,000	52,330	(17,330)
Bond Retirement	002-0000	286,441	286,696	(255)
Class of 1960 Scholarship Fund	007-9960	250	750	(500)
Michael Harpster Scholarship Fund	007-9980	500	1,000	(500)
Uniform School Supplies	009-0000	23,414	28,594	(5,180)
Jr. High General Fund	018-9622	2,045	2,919	(874)
High School General Fund	018-9623	250	883	(633)
Student Managed Accounts	200-0000	94,454	103,798	(9,344)
Athletic Department	300-0000	26,154	50,927	(24,773)
Management Information Systems	432-9590		5,000	(5,000)
SchoolNet Round 5	450-9002		17,860	(17,860)
Onenet	451-9002		7,000	(7,000)
Ohio Reads Coordinator Stipend	459-990A		545	(545)
Ohio Reads Grant	459-990B		2,000	(2,000)
Safe School Help Line	499-9900		684	(684)
Eisenhower Grant – FY 01	514-9201	1,693	1,984	(291)
Eisenhower Grant – FY 02	514-9202		3,537	(3,537)
Drug Free and Safe Schools Grant	584-9002		2,829	(2,829)

This also occurred during the fiscal year for the Uniform School Supplies (009-0000), SchoolNet Professional Development – FY 02 (452-9902), Ohio Reads Volunteer Coordinator Stipend (459-990A), Title VI-B – FY 01 (516-9601), Title VI-B – FY 02 (516-9602), Title I – FY 01 (572-9102), and Drug Free and Safe Schools Grant (584-9002) special cost centers.

Allowing expenditures to exceed appropriations could result in deficit spending. The District should regularly monitor budgets to make sure that there are sufficient appropriations to fund anticipated expenditures.

FINDING # 2002-10186-002

Reportable Condition - Budgeted Receipts

The Board sets the annual budget for the District. Amounts of estimated receipts from this budget are posted into the receipts ledgers of the District and used by management to monitor financial operations.

In fiscal year 2002, estimated amounts of revenues posted in the budgetary ledgers did not agree with the amounts established in the annual budget and subsequent amendments filed with the County Auditor for the following fund types by the following amounts:

<u>Fund Type</u>	<u>Legally Adopted Estimated Revenues</u>	<u>Posted Estimated Revenues</u>	<u>Variance Overstated/ (Understated)</u>
General Fund	\$4,515,256	\$5,018,860	\$503,604
Special Revenue	209,121	219,801	10,680
Debt Service	319,250	414,747	95,497
Capital Projects	0	19,060	19,060
Enterprise	225,070	213,044	(12,026)
Trust and Agency	90,408	121,309	30,901

This resulted in inaccurate budgetary reports which could make it difficult for the Board to make informed decisions regarding whether the District's actual receipts are sufficient to support appropriated disbursements.

The Treasurer should use the amounts of estimated receipts that are certified by the County Auditor. These amounts should be posted timely into the receipts ledgers and included in the budgetary statements section of the annual financial report of the District. As part of the monitoring process, the District should then review its records to ensure that all budgeted amounts are properly reflected in the appropriate funds and that actual receipts are sufficient to cover appropriated disbursements.



**Auditor of State
Betty Montgomery**

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NORTH CENTRAL LOCAL SCHOOL DISTRICT

WILLIAMS 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
MARCH 11, 2003**