

SOUTH CENTRAL LOCAL SCHOOL DISTRICT

AUDIT REPORT

For the Year Ended June 30, 2002

Charles E. Harris and Associates, Inc.
Certified Public Accountants



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398
www.auditor.state.oh.us

Board of Education
South Central Local School District
3305 Greenwich Angling Road
Greenwich, Ohio 44837

We have reviewed the Independent Auditor's Report of the South Central Local School District, Huron County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The South Central Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 27, 2002

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South Central Local School District
Audit Report
For the Year Ended June 30, 2002

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ADMINISTRATIVE PERSONNEL

<u>TITLE</u>	<u>TERM OF OFFICE FOR CONTRACT PERIOD</u>	<u>SURETY</u>
<u>SUPERINTENDENT</u>		
David E. Williamson	8/1/99 to 7/31/03	A
<u>TREASURER</u>		
Shirley F. Oney	1/99 to 12/02	B

LEGAL COUNSEL:

Pepple and Waggoner
Crown Center Building
5005 Rockside Road, Suite 260
Cleveland, Ohio 44131-6808

Surety: A - Nationwide Agribusiness Insurance Company for \$20,000.
B - Wausau Insurance Company for \$100,000.

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ELECTED OFFICIALS

<u>BOARD OF EDUCATION</u>	<u>TITLE</u>	<u>TERM OF EXPIRATION</u>	<u>SURETY</u>
James L. Bond	President	1/00 to 12/03	\$20,000
Leann Palm	Vice-President	1/00 to 12/03	
Richard E. Pettit	Member	1/00 to 12/03	
Bryan Hammon	Member	1/02 to 12/05	
Teresa Stryker	Member	1/02 to 12/05	

Surety - Nationwide Agribusiness Insurance Company in the above stated amount.

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INDEX OF FUNDS AND ACCOUNT GROUPS

GOVERNMENTAL FUND TYPES:

General Fund:

General Fund

Special Revenue Funds:

Public School Support
Classroom Facilities Maintenance
District Managed Activities
Parent Involvement Award
Local Professional Development Block Grant
Management Information System Fund
DPIA
Network Connect
Schoolnet Professional Development Grant
Textbook/Instruction Material
Ohio Read Community Grant
Summer School
Ext Learning Opportunity Funding
Other Miscellaneous State Grants
Eisenhower Professional Development Grant
Title VI-B
Title I
Title VI
Drug Free Schools
Early Childhood Education Development
EHA Preschool Grant Handicap
Telecom E-Rate
Improving Academic Achievement
Title VI-R Class Size Reduction
Other Miscellaneous Federal Grants

Debt Service Fund:

Bond Retirement

Capital Projects Funds:

Permanent Improvement
Building
Building fund for construction #28
Schoolnet
Technology Equity Funds
Emergency Building Repair

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PROPRIETARY FUND TYPES:

Enterprise Funds:

Food Service
Uniform School Supplies
Adult Education

Internal Service Fund:

Rotary fund

FIDUCIARY FUND TYPES:

Expendable Trust Fund:

Special Trust

Non-Expendable Trust Fund:

Endowment Fund

Agency Funds:

Trust Fund/Unclaimed Monies
Student Activity

ACCOUNT GROUPS:

General Fixed Asset Account Group
General Long-Term Obligations Account Group

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
South Central Local School District
Greenwich, Ohio

We have audited the accompanying general purpose financial statements of the South 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 cash flows of its proprietary fund types and non-expendable trust funds 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 a report dated November 8, 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.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the South Central Local School District taken as a whole. The accompanying schedule of federal awards expenditures is presented for the purposes of 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. Such information as been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
November 8, 2002

SOUTH CENTRAL LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET
All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
ASSETS										
Equity in pooled cash and cash equivalents	\$ 2,053,968	292,934	156,283	58,673	75,693	356	135,395	-	-	2,773,302
Restricted cash and cash equivalents	537,421	-	-	-	-	-	-	-	-	537,421
Cash in Segregated Accounts	-	-	-	-	-	-	1,768	-	-	1,768
Cash with fiscal agents	-	-	29	-	-	-	-	-	-	29
Receivables:										
Taxes	1,485,034	26,548	151,234	-	-	-	-	-	-	1,662,816
Accounts	310	1,079	-	-	58	-	2,253	-	-	3,700
Intergovernmental	36	206,184	-	-	13,306	-	-	-	-	219,526
Interest	1,680	-	-	-	-	-	-	-	-	1,680
Interfund receivable	194,507	-	-	-	-	-	-	-	-	194,507
Due from other funds	1,768	-	-	-	-	-	-	-	-	1,768
Inventory held for resale	-	-	-	-	9,604	-	-	-	-	9,604
Materials and supplies inventory	10,239	-	-	-	474	-	-	-	-	10,713
Fixed assets (Net, where applicable, of accumulated depreciation)	-	-	-	-	108,917	-	-	12,273,851	-	12,382,768
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	171,894	171,894
Amount to be provided from general government resources	-	-	-	-	-	-	-	-	1,849,183	1,849,183
Total Assets	\$ 4,284,963	526,745	307,546	58,673	208,052	356	139,416	12,273,851	2,021,077	19,820,679

See accompanying notes to the general purpose financial statements

SOUTH CENTRAL LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET
All Fund Types and Account Groups - continued
June 30, 2002

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
LIABILITIES										
Accounts payable	\$ 36,406	4,497	-	-	1,612	-	16,393	-	-	58,908
Accrued wages and benefits	346,980	16,446	-	-	12,619	-	-	-	-	376,045
Compensated absences payable	6,983	-	-	-	7,330	-	-	-	351,420	365,733
Pension obligation payable	80,460	2,776	-	-	13,394	-	-	-	44,669	141,299
Interfund payable	-	154,290	-	16,795	20,136	-	3,286	-	-	194,507
Due to other governments	13,955	1,024	-	-	558	-	80,569	-	-	96,106
Deferred revenue	1,096,375	230,015	135,623	-	6,683	-	-	-	-	1,468,696
Due to students	-	-	-	-	-	-	17,098	-	-	17,098
Due to other funds	-	-	-	-	-	-	1,768	-	-	1,768
Matured interest payable	-	-	29	-	-	-	-	-	-	29
General obligation bonds payable	-	-	-	-	-	-	-	-	1,624,988	1,624,988
Total Liabilities	\$ 1,581,159	409,048	135,652	16,795	62,332	-	119,114	-	2,021,077	4,345,177
FUND EQUITY										
Investment in general fixed assets	-	-	-	-	-	-	-	12,273,851	-	12,273,851
Contributed capital	-	-	-	-	43,658	-	-	-	-	43,658
Retained earnings:										
Unreserved:										
Fund balance:										
Reserved for encumbrances	\$ 157,454	84,638	-	5,478	-	-	699	-	-	248,269
Reserved for textbooks	208,900	-	-	-	-	-	-	-	-	208,900
Reserved for capital maintenance	159,560	-	-	-	-	-	-	-	-	159,560
Reserved for inventory	10,239	-	-	-	-	-	-	-	-	10,239
Reserved for property taxes	111,131	2,717	15,526	-	-	-	-	-	-	129,374
Reserved for debt service	-	-	156,368	-	-	-	-	-	-	156,368
Reserved for budget stabilization	168,961	-	-	-	-	-	-	-	-	168,961
Reserved for scholarships	-	-	-	-	-	-	6,353	-	-	6,353
Unreserved:										
Undesignated	1,887,559	30,342	-	36,400	-	-	13,250	-	-	1,967,551
Total Fund Equity	2,703,804	117,697	171,894	41,878	145,720	356	20,302	12,273,851	-	15,475,502
Total Liabilities and Fund Equity	\$ 4,284,963	526,745	307,546	58,673	208,052	356	139,416	12,273,851	2,021,077	19,820,679

See accompanying notes to the general purpose financial statements

SOUTH CENTRAL LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 All Governmental Fund Types and Similar Trust Funds
 For the Year Ended June 30, 2002

	Governmental Fund Types				Fiduciary	Total
	General	Special Revenue	Debt Service	Capital Projects	Trust Fund Expendable Trust	(Memorandum Only)
REVENUES:						
Taxes	\$ 2,018,033	29,238	153,807	-	-	2,201,078
Intergovernmental	3,895,528	366,065	70,917	48,780	-	4,381,290
Interest	84,048	2,081	3,938	741	382	91,190
Tuition and Fees	283	-	-	-	-	283
Extracurricular Activities	-	103,283	-	-	541	103,824
Classroom Materials and Fees	6,386	-	-	-	-	6,386
Donations	-	-	-	-	12,600	12,600
Miscellaneous	9,308	4,085	-	-	-	13,393
Total Revenues	6,013,586	504,752	228,662	49,521	13,523	6,810,044
EXPENDITURES:						
Instruction:						
Regular	2,653,104	280,076	-	8,295	8,323	2,949,798
Special	511,852	35,686	-	-	-	547,538
Vocational	160,104	102	-	-	-	160,206
Other	11,940	-	-	-	-	11,940
Support Services:						
Pupils	2,762	-	-	-	408	3,170
Instructional Staff	154,261	9,247	-	-	1,961	165,469
Board of Education	34,324	767	-	-	-	35,091
Administration	521,977	37,133	-	-	-	559,110
Fiscal	209,714	613	3,583	-	-	213,910
Operation and Maintenance of Plant	683,266	233,498	-	70,290	-	987,054
Pupil Transportation	434,583	1,202	-	-	-	435,785
Central	8,330	11,144	-	-	-	19,474
Operation of Non-Instructional Services	-	-	-	-	6,240	6,240
Extracurricular Activities	151,039	87,050	-	-	-	238,089
Capital Outlay	76,558	-	-	8,533	-	85,091
Debt Service:						
Principal Retirement	-	-	127,000	-	-	127,000
Interest and Fiscal Charges	-	-	80,568	-	-	80,568
Total Expenditures	5,613,814	696,518	211,151	87,118	16,932	6,625,533
Excess of Revenues Over/(Under) Expenditures	399,772	(191,766)	17,511	(37,597)	(3,409)	184,511
Other Financing Sources/(Uses):						
Proceeds from Sale of Fixed Assets	1,849	-	-	-	-	1,849
Operating Transfer In	-	13,668	-	3,570	-	17,238
Operating Transfer Out	(18,238)	-	-	-	-	(18,238)
Total Other Financing Sources/(Uses)	(16,389)	13,668	-	3,570	-	849
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	383,383	(178,098)	17,511	(34,027)	(3,409)	185,360
Fund Balance - July 1	2,310,182	295,795	154,383	75,905	17,236	2,853,501
Increase (Decrease) in Reserved for Inventory	10,239	-	-	-	-	10,239
Fund Balance - June 30	\$ 2,703,804	117,697	171,894	41,878	13,827	3,049,100

See accompanying notes to the general purpose financial statements

SOUTH CENTRAL LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)
 All Governmental Fund Types and Similar Trust Fund
 For the Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<u>REVENUES:</u>						
Taxes	\$ 1,387,460	\$ 2,016,576	629,116	\$ 29,281	\$ 26,521	(2,760)
Tuition	-	283	283	-	-	-
Earnings on Investments	93,970	81,779	(12,191)	1,641	2,081	440
Extracurricular Activities	-	-	-	100,001	102,315	2,314
Classroom Materials and Fees	7,077	6,269	(808)	-	-	-
Intergovernmental	4,512,142	3,895,492	(616,650)	404,303	432,225	27,922
Donations	-	-	-	-	-	-
Miscellaneous	11,004	9,529	(1,475)	4,116	4,257	141
Total Revenues	6,011,653	6,009,928	(1,725)	539,342	567,399	28,057
<u>EXPENDITURES:</u>						
Instruction:						
Regular	3,769,813	2,701,331	1,068,482	395,308	354,153	41,155
Special	575,066	521,360	53,706	38,939	38,418	521
Vocational Education	336,987	160,468	176,519	2,470	101	2,369
Other Instruction	209,686	13,947	195,739	-	-	-
Support Services:						
Pupils	9,704	2,889	6,815	-	-	-
Instructional Support	181,745	171,703	10,042	9,746	9,246	500
Board of Education	60,923	39,168	21,755	1,862	767	1,095
Administration	758,245	520,805	237,440	74,425	49,493	24,932
Fiscal	286,722	214,759	71,963	2,000	613	1,387
Operation and Maintenance of Plant	805,552	752,903	52,649	246,844	229,456	17,388
Pupil Transportation	574,317	440,257	134,060	1,202	1,202	-
Central	12,603	10,580	2,023	25,258	11,264	13,994
Operation of Non-instructional Services	-	-	-	-	-	-
Extracurricular Activities	235,816	150,837	84,979	104,828	92,576	12,252
Capital Outlay	77,104	77,104	-	-	-	-
Debt Service:						
Principal Payments	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	7,894,283	5,778,111	2,116,172	902,882	787,289	115,593
Excess of Revenues Over/ (Under) Expenditures	(1,882,630)	231,817	2,114,447	(363,540)	(219,890)	143,650
<u>Other Financing Sources/(Uses):</u>						
Transfers In	-	-	-	13,668	13,668	-
Transfers Out	(18,237)	(18,237)	-	-	-	-
Advance In	-	17,580	17,580	140,559	144,088	3,529
Advance Out	(146,822)	(146,822)	-	(10,357)	(17,580)	(7,223)
Sale of Assets	-	1,846	1,846	-	-	-
Refund of Prior Year Receipts	(1,000)	(100)	900	-	(1,502)	(1,502)
Refund of Prior Year Expenditures	-	4,193	4,193	235	240	5
Total Other Financing Sources/(Uses)	(166,059)	(141,540)	24,519	144,105	138,914	(5,191)
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(2,048,689)	90,277	2,138,966	(219,435)	(80,976)	138,459
Fund Balance/(Deficit) July 1	2,037,224	2,037,224	-	243,001	243,001	-
Prior Year Encumbrances Appropriated	276,005	276,005	-	42,634	42,634	-
Fund Balance/(Deficit) June 30	\$ 264,540	\$ 2,403,506	2,138,966	\$ 66,200	\$ 204,659	138,459

See accompanying notes to the general purpose financial statements

Debt Service Funds			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
\$ 166,903	\$ 154,750	(12,153)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,789	3,938	1,149	\$ 699	\$ 741	42	\$ 317	\$ 382	65
-	-	-	-	-	-	544	541	(3)
-	-	-	-	-	-	-	-	-
50,718	70,917	20,199	40,080	48,780	8,700	-	-	-
-	-	-	-	-	-	10,362	10,400	38
-	-	-	-	-	-	-	-	-
<u>220,410</u>	<u>229,605</u>	<u>9,195</u>	<u>40,779</u>	<u>49,521</u>	<u>8,742</u>	<u>11,223</u>	<u>11,323</u>	<u>100</u>
-	-	-	8,193	8,347	(154)	13,034	8,401	4,633
-	-	-	-	-	-	78	-	78
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	185	841	(656)
-	-	-	-	-	-	4,150	2,726	1,424
-	-	-	-	-	-	-	-	-
60,000	3,583	56,417	-	-	-	-	-	-
-	-	-	102,172	75,929	26,243	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	7,766	6,240	1,526
-	-	-	-	-	-	-	-	-
-	-	-	8,585	8,533	52	-	-	-
127,000	127,000	-	-	-	-	-	-	-
<u>124,410</u>	<u>80,568</u>	<u>43,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>311,410</u>	<u>211,151</u>	<u>100,259</u>	<u>118,950</u>	<u>92,809</u>	<u>26,141</u>	<u>25,213</u>	<u>18,208</u>	<u>7,005</u>
(91,000)	18,454	109,454	(78,171)	(43,288)	34,883	(13,990)	(6,885)	7,105
-	-	-	3,570	3,570	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,734	2,734
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,570</u>	<u>3,570</u>	<u>-</u>	<u>-</u>	<u>2,734</u>	<u>2,734</u>
(91,000)	18,454	109,454	(74,601)	(39,718)	34,883	(13,990)	(4,151)	9,839
137,830	137,830	-	73,188	73,188	-	14,462	14,462	-
-	-	-	19,724	19,724	-	3,905	3,905	-
<u>\$ 46,830</u>	<u>\$ 156,284</u>	<u>109,454</u>	<u>\$ 18,311</u>	<u>\$ 53,194</u>	<u>34,883</u>	<u>\$ 4,377</u>	<u>\$ 14,216</u>	<u>9,839</u>

SOUTH CENTRAL LOCALSCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)
 All Governmental Fund Types and Similar Trust Fund
 For the Year Ended June 30, 2002

	Total - (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<u>REVENUES:</u>			
Taxes	\$ 1,583,644	\$ 2,197,847	614,203
Tuition	-	283	283
Earnings on Investments	99,416	88,921	(10,495)
Extracurricular Activities	100,545	102,856	2,311
Classroom Materials and Fees	7,077	6,269	(808)
Intergovernmental	5,007,243	4,447,414	(559,829)
Donations	10,362	10,400	38
Miscellaneous	15,120	13,786	(1,334)
Total Revenues	6,823,407	6,867,776	44,369
<u>EXPENDITURES:</u>			
Instruction:			
Regular	4,186,348	3,072,232	1,114,116
Special	614,083	559,778	54,305
Vocational Education	339,457	160,569	178,888
Other Instruction	209,686	13,947	195,739
Support Services:			
Pupils	9,889	3,730	6,159
Instructional Support	195,641	183,675	11,966
Board of Education	62,785	39,935	22,850
Administration	832,670	570,298	262,372
Fiscal	348,722	218,955	129,767
Operation and Maintenance of Plant	1,154,568	1,058,288	96,280
Pupil Transportation	575,519	441,459	134,060
Central	37,861	21,844	16,017
Operation of Non-instructional Services	7,766	6,240	1,526
Extracurricular Activities	340,644	243,413	97,231
Capital Outlay	85,689	85,637	52
Debt Service:			
Principal Payments	127,000	127,000	-
Interest and Fiscal Charges	124,410	80,568	43,842
Total Expenditures	9,252,738	6,887,568	2,365,170
Excess of Revenues Over/ (Under) Expenditures	(2,429,331)	(19,792)	2,409,539
<u>Other Financing Sources/(Uses):</u>			
Transfers In	17,238	17,238	-
Transfers Out	(18,237)	(18,237)	-
Advance In	140,559	164,402	23,843
Advance Out	(157,179)	(164,402)	(7,223)
Sale and Loss of Assets	-	1,846	1,846
Refund of Prior Year Receipts	(1,000)	(1,602)	(602)
Refund of Prior Year Expenditures	235	4,433	4,198
Total Other Financing Sources/(Uses)	(18,384)	3,678	22,062
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(2,447,715)	(16,114)	2,431,601
Fund Balance/(Deficit) July 1	2,505,705	2,505,705	-
Prior Year Encumbrances Appropriated	342,268	342,268	-
Fund Balance/(Deficit) June 30	\$ 400,258	\$ 2,831,859	2,431,601

See accompanying notes to the general purpose financial statements

SOUTH CENTRAL LOCAL SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN RETAINED EARNINGS

All Proprietary Fund Types and Similar Trust Funds
For the Year Ended June 30, 2002

	Proprietary Fund Types		Fiduciary	Total (Memorandum Only)
	Enterprise	Internal Service	Fund Types Non-Expendable Trust	
<u>Operating revenues:</u>				
Food Services	\$ 171,713	-	-	171,713
Classroom Materials and Fees	15,743	-	-	15,743
Interest	-	-	165	165
Extracurricular Activities	-	2,162	-	2,162
Total Operating Revenues	187,456	2,162	165	189,783
<u>Operating expenses:</u>				
Salaries	120,313	-	-	120,313
Fringe Benefits	47,158	-	-	47,158
Purchased Services	6,700	-	-	6,700
Materials and Supplies	67,476	-	-	67,476
Cost of Sales	92,257	-	-	92,257
Depreciation expense	17,796	-	-	17,796
Other expenses	20	4,000	150	4,170
Total Operating Expenses	351,720	4,000	150	355,870
Operating Income/(Loss)	(164,264)	(1,838)	15	(166,087)
<u>Nonoperating revenues/(expenses):</u>				
Federally donated commodities	28,944	-	-	28,944
Intergovernmental	116,339	-	-	116,339
Interest	1,017	-	-	1,017
Other non-operating revenues	225	2,000	-	2,225
Total Nonoperating revenues/(expenses)	146,525	2,000	-	148,525
Net Income/(Loss)	(17,739)	162	15	(17,562)
Retained Earnings at Beginning of Year	111,070	194	6,460	117,724
Depreciation on Fixed Assets Acquired by Contributed Capital	8,731	-	-	8,731
Retained Earnings at End of Year	102,062	356	6,475	108,893
Contributed Capital at Beginning of Year	52,389	-	-	52,389
Depreciation on Fixed Assets Acquired by Contributed Capital	(8,731)	-	-	(8,731)
Contributed Capital at End of Year	43,658	-	-	43,658
Total Fund Equity at End of Year	\$ 145,720	356	6,475	152,551

See accompanying notes to the general purpose financial statements

SOUTH CENTRAL LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF CHANGES IN CASH FLOWS
All Proprietary Fund Types and Similar Trust Funds
For the Year Ended June 30, 2002

	Proprietary Funds		Fiduciary Fund	
	Enterprise	Internal Service	Non- Expendable Trust	Total (Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 187,564	\$ 2,162	-	\$ 189,726
Cash Received from Interest Income (Nonexpendable Trust Fund Only)	-	-	\$ 165	165
Cash Received from Other Revenues	225	2,000	-	2,225
Cash Payments to Suppliers for Goods and Services	(137,551)	-	-	(137,551)
Cash Payments to Employees for Services	(113,731)	-	-	(113,731)
Cash Payments for Employees Benefits	(45,514)	-	-	(45,514)
Cash Payments for Miscellaneous	(20)	(4,000)	(150)	(4,170)
Net Cash Provided By (Used for) Operating Activities	(109,027)	162	15	(108,850)
Cash Flows from Non-Capital Financing Activities:				
Grants Received	103,033	-	-	103,033
Net Cash Provided by (Used by) Non-Capital Financing Activities	103,033	-	-	103,033
Cash Flows from Investing Activities:				
Interest on Investments	1,017	-	-	1,017
Net Cash Provided by (Used by) Investing Activities	1,017	-	-	1,017
Cash Flows from Capital and Related Financing Activities:				
Capital Assets Acquisition	(1,968)	-	-	(1,968)
Net Cash Provided by (Used by) Capital and Related Financing Activities	(1,968)	-	-	(1,968)
Net Increase (Decrease) in Cash and Cash Equivalents	(6,945)	162	15	(6,768)
Cash and Cash Equivalents at Beginning of Year	82,638	194	6,460	89,292
Cash and Cash Equivalents at End of Year	\$ 75,693	\$ 356	\$ 6,475	\$ 78,588
Reconciliation of Operating Income (Loss) to				
Net Cash Provided by (Used by) Operating Activities:				
Operating Income (Loss)	\$ (164,264)	\$ (1,838)	\$ 15	\$ (166,087)
Adjustments to Reconcile Operating Income (Loss) to				
Net Cash Provided by (Used by) Operating Activities:				
Depreciation	17,796	-	-	17,796
Donated Commodities Used During Year	28,944	-	-	28,944
Non-Operating Revenue	225	2,000	-	2,225
(Increase)/Decrease in Assets:				
Accounts Receivable	72	-	-	72
Inventory Held for Resale	(116)	-	-	(116)
Materials and Supplies Inventory	778	-	-	778
Increase/(Decrease) in Liabilities:				
Accounts Payable	(17)	-	-	(17)
Accrued Wages and Benefits	(522)	-	-	(522)
Compensated Absences Payable	7,330	-	-	7,330
Pension Obligation Payable	1,644	-	-	1,644
Deferred Revenue	(671)	-	-	(671)
Due to Other Governments	(226)	-	-	(226)
Net Cash Provided By (Used for) Operating Activities	\$ (109,027)	\$ 162	\$ 15	\$ (108,850)
Reconciliation of Cash and Cash Equivalents of Fiduciary Funds to Balance Sheet:				
Cash and Cash Equivalents - All Fiduciary Funds:				
Cash and Cash Equivalents - Expendable Trust Funds	\$ 17,113			
Cash and Cash Equivalents - Non-Expendable Trust Funds	6,475			
Cash and Cash Equivalents - Agency Funds	111,807			
Total Cash and Cash Equivalents	\$ 135,395			

See accompanying notes to the general purpose financial statements

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

The South Central Local School 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. South Central Local School District is a local school district as defined by Section 3311.03 of the 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.

Average daily membership (ADM) as of October 1, 2001, was 932. The District employed 4 administrative and supervisory personnel, 66 certificated employees and 43 non-certificated employees. Local School Districts are supervised by the County Board of Education, a separate entity.

South Central Local School District provides regular vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

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's significant accounting policies are described below.

A. REPORTING ENTITY

For financial reporting purposes the District's financial statements include all funds, account groups, and component units for which the District is financially accountable based upon criteria set forth in GASB Statement 14. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component unit if:

1. The District appoints a voting majority of the organization's governing body AND (a) is able to impose its will on that organization OR (b) there is a potential for the organization to provide specific burdens on the District; OR
2. The Organization is fiscally dependent upon the District; OR
3. The nature of the relationship between the District and the organization is such that the exclusion from the financial reporting entity would render the financial statements of the District misleading.

For the fiscal year 2002, the School District does not have any component units.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION-FUND ACCOUNTING

The District is associated with a jointly governed organization and an insurance pool. Information about these organizations is represented in Note 16 to the financial statements.

The School District uses funds and account groups to report on 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.

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 restrictions or limitations. An account group is a financial reporting device designed to provided for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate “fund types.”

Governmental Fund Types:

Governmental fund types are used to account for the District’s general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Revenue – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and received 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. For the School District, available means expected to be received within sixty days of fiscal year end.

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION-FUND ACCOUNTING (continued)

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures:

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental fund is on decreases in financial resources. 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 funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund type:

General Fund - The General fund is the operating fund of the School 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION-FUND ACCOUNTING (continued)

Proprietary Fund Type:

Proprietary Funds are used to account for the District's ongoing activities which are similar to those most often found in the private sector. The following are the District's Proprietary Fund Types:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds – Internal Service Funds are used to account for the financing, on a cost-reimbursement basis, of goods or services provided by one department or agency to other departments or agencies or the District, or to other governments.

Fiduciary Fund Types:

Fiduciary Funds are used to account for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These included Expendable Trust, Nonexpendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds

Account Groups:

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in Proprietary Funds and Trust Funds.

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS AND/BASIS OF ACCOUNTING

Governmental Fund Types and Expendable Trust Funds are accounted for on a spending, or “financial resources” measurement focus. Governmental Fund Types and Expendable Trust funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available expendable resources.

Proprietary Fund Types and Nonexpendable Trust Funds are accounted for on a cost of services, or “economic resources”, measurement focus. Proprietary Fund Types and Nonexpendable Trust Funds income statements represent increases and decreases in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue accrued at the end of the fiscal year included delinquent property taxes, interest, tuition, and state and federal grants. 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. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long term debt which is recorded when due.

Proprietary funds and Nonexpendable Trust Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

D. BUDGETARY PROCESS

The District’s budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and the GAAP basis are:

- 1) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP);
- 2) Expenditures are recorded when encumbered, or paid in cash (budgetary), as opposed to when susceptible to accrual (GAAP);
- 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 a note disclosure in the proprietary fund type (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).

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

The actual results of operations, compared to the final appropriation, which includes amendments to the original appropriation, for each fund type by expenditure function and revenue by source are presented in the *Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (Non-GAAP Budgetary Basis)*. The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

The District adopts an annual budget for all governmental fund types. The specific timetable is as follows:

Prior to January 15 of the preceding fiscal year, 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. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed 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 Huron County Budget Commission for tax rate determination.

Estimated Resources:

Prior to March 15, 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 ensuring year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amount set forth in the final Amended Certificate.

Appropriations:

By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the object level within each function, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the county Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

Any revisions that alter the total of any fund appropriation at the object level within each function must be approved by the Board of Education.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

Appropriations (continued):

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All object/functions and funds completed the year within the amount of their legally authorized appropriation, except for General Fund, various Special Revenue, Capital Project and the Expendable Trust Funds.

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the board during fiscal 2001-02.

Lapsing of Appropriations:

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, function and object level.

Encumbrances:

Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP Basis and for all budgeted funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance.

Budgetary Basis of Accounting:

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

Budgetary Basis of Accounting (continued):

Reconciliation of Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$90,277	\$(80,976)	\$18,454	\$(39,718)	\$(4,151)
Adjustments:					
Revenue Accruals	(18,112)	(206,975)	(943)	-	(534)
Expenditure Accruals	499,102	198,984	-	11,169	4,175
Encumbrances	(187,884)	(89,131)	-	(5,478)	(2,899)
GAAP Basis	<u>\$383,383</u>	<u>\$(178,098)</u>	<u>\$17,511</u>	<u>\$(34,027)</u>	<u>\$(3,409)</u>

E. CASH AND INVESTMENTS

Cash received by the District is deposited in one bank account with individual fund balance integrity maintained throughout. Monies for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired) which are stated at cost. State statute authorizes the District to invest in obligations of the U. S. Treasury, commercial paper and repurchase agreements.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to Agency Funds, certain trust funds and those funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest income earned in fiscal 2002 for all funds (excluding Agency fund operations) totaled \$92,372.

For purposes of the combined statement of cash flows (GASB Statement No. 9) and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. INVENTORY (MATERIALS AND SUPPLIES)

Inventories are valued at lower of cost (first-in, first-out) or market and are determined by physical count. The proprietary fund inventories are recorded as expenses when used. Inventory in governmental funds consists of expendable supplies which are recorded as an expenditure when individual inventory items are purchased. The governmental fund inventories are offset by a fund balance reserve which indicated they do not constitute “available expendable resources” and are not available for appropriation. The District did not have any significant governmental inventories for the fiscal year ended June 30, 2002.

G. PREPAID ITEMS

Prepaid items for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At period-end, because prepayment and deferrals are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset. The District did not have any prepaid items at the end of fiscal year 2002.

H. FIXED ASSETS AND DEPRECIATION

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment and vehicles in the proprietary fund types is computed using the straight-line method. In proprietary funds, the following estimated useful lives are used to compute depreciation:

<u>Asset</u>	<u>Life (years)</u>
Machinery and Equipment	8 to 20

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during fiscal year 2002.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. INTERFUND TRANSACTIONS

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

1. Routine transfers of resources from one fund to another fund through which transactions resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District has no long-term advances as of June 30, 2002.
4. During fiscal year 2002, the transfers in did not equal transfers out due to transfer activities in the agency fund, which are not reflected on the operating statements.

J. COMPENSATED ABSENCES

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all classified employees age fifty (50) or greater with at least ten (10) years of service; and all non-classified employees age fifty (50) or greater with at least five (5) years of service were considered expected to become eligible to retire in accordance with GASB 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. COMPENSATED ABSENCES (continued)

Accumulated vacation and severance liability of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long Term Debt Account Group. Vacation and severance liability for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

The District's policies regarding compensated absences are determined by state laws and/or negotiated agreements. In summary, the policies are as followed:

Sick Leave:

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1¼) days for each calendar month under contract. Sick leave is cumulative to two hundred forth (240) days.

Service Retirement:

Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on the accumulative sick leave up to a maximum of 55 days. Employees must have ten years service with South Central Local School system.

Non-Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on the accumulative sick leave up to a maximum of 55 days. Employees must have five years service with South Central Local School system.

K. LONG-TERM OBLIGATIONS

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

L. FUND EQUITY

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, textbooks, capital maintenance, debt service, inventory, scholarships, and the budget stabilization reserve. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. PROPRIETARY FUND ACCOUNTING POLICIES

In accordance with GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting,” the district applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles, Board Opinions, and Accounting Research bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

N. MEMORANDUM ONLY-TOTAL COLUMNS

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or 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. RESTRICTED ASSETS

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 2002, the School District transferred \$15,451 into the set-aside budget stabilization reserve.

P. 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.

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

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

Inactive monies are permitted to be deposited or invested in the following securities:

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligation, 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 School 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.

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

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 fiscal year end, the carrying amount of the School District’s deposits was \$59,083 and the bank balance was \$342,662. Of the bank balance

1. \$100,000 was covered by federal depository insurance or surety bonds; and
2. \$242,662 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to successful claim by the FDIC.

Investments: The School District’s investments are categorized below to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or the School District’s agent in the School District’s name. Category 2 includes uninsured and unregistered investments which are held by the counter-party’s trust department or agent in the School District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the School District’s name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Reported Amount	Fair Value
STAR Ohio – Not Categorized	\$3,253,437	\$3,253,437

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

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 entitled “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 investments on the combined financial statements and the classification of deposit and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investment
GASB Statement 9	\$3,312,520	\$0
Reclassification: STAR Ohio	(3,253,437)	3,253,437
GASB Statement 3	\$59,083	\$3,253,437

Ohio Revised Code Chapter 135, Uniform Depository act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurances.

NOTE 4 – PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2002 were based are as follows:

	2001	2000
Real Property -		
Residential/Agricultural	\$ 46,189,480	\$ 45,668,670
Commercial/Industrial	3,799,710	3,140,150
Public Utilities	177,090	186,570
Tangible Property -		
General	3,927,660	3,452,280
Public Utilities	6,320,340	5,998,930
Total Valuation	\$ 60,414,280	\$ 58,445,600

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 4 – PROPERTY TAXES (continued)

In 2002, real property taxes were levied in January 1, 2001, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in January 2002. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25% of true value (as defined). In 2002, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2002, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due June 20th. The County Auditor remits portions of the taxes collected to all taxing Districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which become measurable at 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, 2002 was \$111,131 and is recognized as revenue in the General Fund, \$2,717 in the Special Revenue Fund, and \$15,526 in the Debt Service Funds.

NOTE 5 – LOCAL INCOME TAX

This locally levied tax of 1.25 percent applies to the adjusted gross salaries, wages and other personal service compensation earned by residents of the District. This tax began January 1, 1991. The purpose of the tax is for current expenses of the District. The tax is collected by the Ohio Department of Taxation which then makes quarterly distributions to the District. Tax distribution to the District during its 2002 fiscal year amounted to \$786,359.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 6 – RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes and income taxes, accounts, interfund and intergovernmental grants. 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 fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables as follows:

<u>General Fund:</u>		\$	<u>36</u>
<u>Special Revenue Funds:</u>			
Title II		\$	646
Title VI-B			49,114
Title I			122,800
Title VI			3,317
Drug Free School Grant			<u>2,766</u>
Total Special Revenue Funds			<u>206,184</u>
<u>Enterprise Funds:</u>			
Food Service		\$	<u>13,306</u>
Total Intergovernmental Receivables		\$	<u>219,526</u>

NOTE 7 – FIXED ASSETS

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

<u>Asset Category</u>	Balance on 7/1/01	Additions	Deletions	Balance on 6/30/02
Land	\$ 56,434	-	-	\$ 54,434
Land Improvements	471,500	-	-	471,500
Buildings	8,389,017	\$ 76,557	-	8,465,574
Furniture and Equipment	1,981,853	234,578	\$ (2,394)	2,214,037
Vehicles	<u>1,053,874</u>	<u>102,494</u>	<u>(90,062)</u>	<u>1,066,306</u>
 Total General Fixed Assets	 \$ <u>11,952,678</u>	 \$ <u>413,629</u>	 \$ <u>(92,456)</u>	 \$ <u>12,273,851</u>

A summary of the Proprietary Funds' fixed assets at June 30, 2002 follows:

		Enterprise Funds	
Machinery and Equipment		\$	<u>254,328</u>
Less Accumulated Depreciation			<u>(145,411)</u>
Net Fixed Assets		\$	<u>108,917</u>

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 8 – LONG TERM OBLIGATIONS

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

	Principal Outstanding 7/1/01	Additions	Deductions	Principal Outstanding 6/30/02
General Obligation Energy Conservation Bonds: Interest Rate 5.50% Matures 12/01/03	\$ 97,000	-	\$ (47,000)	\$ 50,000
Classroom Facilities Improvement Bonds: Interest Rate 3.60-5.60% Matures 12/01/18	1,654,988	-	(80,000)	1,574,988
Total Long-Term Bonds	<u>1,751,988</u>	<u>-</u>	<u>(127,000)</u>	<u>1,624,988</u>
Pension Obligation	41,484	\$ 44,669	(41,484)	44,669
Compensated Absences	<u>282,741</u>	<u>68,679</u>	<u>-</u>	<u>351,420</u>
Total General Long Term Obligations	<u>\$ 2,076,213</u>	<u>\$ 113,348</u>	<u>\$ (168,484)</u>	<u>\$ 2,021,077</u>

Compensated absences and the pension obligation will be paid from the fund from which the employees’ salaries are paid. The current year activity for compensated absences is netted for practical purposes.

The School District’s overall legal debt margin was \$5,437,285 with an unvoted debt margin of \$60,414 at June 30, 2002.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001 are as follows:

Fiscal Year June 30	Principal	Interest	Total
2003	\$ 135,000	\$ 73,964	\$ 208,964
2004	90,000	68,415	158,415
2005	95,000	64,020	159,020
2006	100,000	59,290	159,290
2007	42,360	124,480	166,840
2008-2012	262,628	583,341	845,979
2013-2017	725,000	156,100	881,100
2018	<u>175,000</u>	<u>4,900</u>	<u>179,900</u>
Totals	<u>\$ 1,624,988</u>	<u>\$ 1,134,510</u>	<u>\$ 2,759,509</u>

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 9 – SEGMENT INFORMATION

Enterprise Funds - The District maintains Enterprise Funds to account for the operations of Food Service, Uniform School Supplies, and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2002.

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 171,713	\$ 15,743	-	\$ 187,456
Operating Expenses less Depreciation	(322,403)	(11,521)	-	(333,924)
Depreciation Expense	(17,796)	-	-	(17,796)
Operating Income (Loss)	(168,486)	4,222	-	(164,264)
Federally Donated Commodities	28,944	-	-	28,944
Operating Grants	116,339	-	-	116,339
Other Non-operating Revenues	153	72	-	225
Interest Income	1,009	-	\$ 8	1,017
Net Income (Loss)	(22,041)	4,294	8	(17,739)
Net Working Capital	49,463	(5,649)	319	44,133
Total Assets	191,634	16,099	319	208,052
Total Equity	151,050	(5,649)	319	145,720
Encumbrances Outstanding at June 30, 2002	16,639	5,713	-	22,352

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The South Central Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system 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 financial report that includes financial statements and required supplementary information for SERS. 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% of their annual covered salary and the South Central Local School District is required to contribute an actuarially determined rate of 14%. The 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 contributions to SERS for the years ending June 30, 2002, 2001, and 2000 were \$130,446, \$123,176, and \$108,042, respectively; 41.3 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$76,607 represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System

The South Central Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides 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 financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the South Central Local School District is required to contribute 14%. 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 contributions to STRS for the years ending June 30, 2002, 2001, and 2000 were \$380,996, \$345,704, and \$357,330 respectively, 83.0 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$64,692 represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

NOTE 11 – POST EMPLOYMENT BENEFITS

The School 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 obligation 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.

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 the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001 (the latest information available). The Health Care Reserve Fund allocation for the year ended June 30, 2001, and after, will be 4.5% of covered payroll. For the School District, this amount equaled \$122,463 during fiscal 2002.

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 11 – POST EMPLOYMENT BENEFITS – (continued)

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 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.

For this fiscal year, employer contributions to fund health care benefits were 9.80 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 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. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$99,421 during the 2002 fiscal year.

NOTE 12 – RISK MANAGEMENT

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

During fiscal year 2002, the District purchased general liability insurance from Gallagher Pipino, Inc., which carried a \$1 million per occurrence/\$5 million general aggregate limit with an additional \$3 million umbrella coverage.

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded.

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years. Also, the School District did not significantly reduce their limits during the year.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 12 – RISK MANAGEMENT (continued)

OSBA Worker’s Compensation Group Rating

The District is a member of the OSBA Worker’s Compensation Group Rating Program established in April 1991. The program was created by the Ohio Schools Boards Association as a result of the Workers’ Compensation group rating plan as defined in Section 4123.29, Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

Health Benefits

The District provides employee health care benefits through the Huron-Erie School Employees Insurance Association.

The Huron-Erie School Employees Insurance Association is a shared risk pool, with participants from Erie and Huron Counties. The Association is governed by an assembly which consists of one representative from each participant. The assembly elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Association, all association by writing to the Erie-Huron-Ottawa County Educational Service Center, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

NOTE 13 – CONTINGENT LIABILITIES

A. GRANTS:

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

B. LITIGATION:

The School District may be party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of forty-one public school districts 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 district. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. All revenues are generated from a combination of State funding and an annual fee per student charged to participating districts. Financial information is available from the Erie County Educational Service Center (fiscal agent) at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

NOTE 15 - 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 district that is 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.

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 16 – ACCOUNTABILITY AND COMPLIANCE

LEGAL COMPLIANCE

Expenditures Exceeding Appropriation: Ohio Revised Code Section 5705.41(B) prohibits the School District from making any expenditure of money unless it has been properly appropriated at the legal level of budgetary control. The General Fund, certain Special Revenue Funds, Capital Project Funds, and the Expendable Trust Fund had several function/object level expenditures plus encumbrances exceeding appropriations.

NOTE 17 – SET-ASIDE REQUIREMENTS

The District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted sources must be held in cash at year-end and carried forward to be used for the same purpose in future years.

The following information describes the changes in the amounts set aside for textbooks and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

	<u>Textbooks</u>	<u>Capital Improvement</u>	<u>Budget Reserve</u>	<u>Total</u>
Set-aside balance as of June 30, 2002	\$ 255,187	\$ 163,499	\$ 153,510	\$ 572,196
Current year set-aside requirement	\$ 165,529	\$ 165,529	\$ -	\$ 331,058
Current year offset	\$ (96,510)	\$ 46,938	\$ 15,451	\$ (34,121)
Qualifying expenditures	\$ <u>(115,306)</u>	\$ <u>(216,406)</u>	\$ -	\$ <u>(331,712)</u>
Totals	\$ <u>208,900</u>	\$ <u>159,560</u>	\$ <u>168,961</u>	\$ <u>537,421</u>
Cash balance carried forward to FY 2003	\$ <u>208,900</u>	\$ <u>159,560</u>	\$ <u>168,961</u>	\$ <u>537,421</u>
Amount restricted for budget stabilization				\$ <u>168,961</u>
Total restricted assets				\$ <u>537,421</u>

SOUTH CENTRAL LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For The Year Ended June 30, 2002

Federal Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts Recognized	Program Expenditures
<u>U.S. Department of Education</u>				
<i>Passed through the Ohio Department of Education:</i>				
Title I - Educationally Deprived Children	047738-C1-S1-00	84.010	6,482	-
	047738-C1-S1-01	84.010	-	15,220
	047738-C1-S1-02	84.010	26,290	97,015
	047738-C1-S1-00	84.010	5,933	5,933
Total Title I			38,705	118,168
Comprehensive School Reform Program	047738-RF-S1-01	84.332	66,422	48,455
Total Comprehensive School Reform Program			66,422	48,455
Title VI B - Education of all Handicapped	047738-6B-SF-00	84.027	4,434	-
	047738-6B-SF-01	84.027	7,223	8,027
	047738-6B-SF-02	84.027	21,049	42,210
Total Title VI B			32,706	50,237
Safe and Drug-Free Schools and Communities	047738-DR-S1-99	84.186	-	2,228
	047738-DR-S1-00	84.186	-	407
	047738-DR-S1-01	84.186	-	4,349
	047738-DR-S1-02	84.186	780	780
Total Drug-Free			780	7,764
Technology Literacy Challenge Grant	047738-TFYL-00	84.318	9,000	9,000
	044438-TFYL-01	84.318	200,000	194,339
			209,000	203,339
Eisenhower Professional Development	047738-MS-S1-01	84.281	-	225
	047738-MS-S1-00	84.281	3,478	-
	047738-MS-S1-02	84.281	5,810	-
Total Eisenhower			9,288	225
Title VI - Innovative Education Program	047738-C2-S1-02	84.298	1,355	-
Total Title VI - Innovative Education Program			1,355	-
Performance Incentive Grant	047738-G2-S1-01	84.276	-	2,117
	047738-G2-S1-02	84.276	-	12,072
	047738-G2-S2-01	84.276	-	4,716
	047738-G2-S2-02	84.276	-	9,218
Total Performance Incentive Grant			-	28,123
Class Size Reduction	047738-CR-S1-01	84.340	773	-
	047738-CR-S1-02	84.340	10,719	28,243
Total Class Size Reduction			11,492	28,243
Total U. S. Department of Education			369,748	484,554
<u>U.S. Department of Labor</u>				
<i>Passed through Ohio Department of Education:</i>				
School-to-Work	047738-WK-BE-97	17.249	1,500	563
Total U.S. Department of Labor			1,500	563
<u>U.S. Department of Agriculture</u>				
<i>Passed through Ohio Department of Education:</i>				
Nutrition Cluster:				
Food Distribution	N/A	10.550	28,944	28,944
School Breakfast Program	047738-05-PU-02	10.553	19,741	19,741
National School Lunch Program	047738-04-PU-02	10.555	77,244	77,244
Total Nutrition Cluster			125,929	125,929
Total U.S. Department of Agriculture			125,929	125,929
TOTAL FEDERAL FINANCIAL ASSISTANCE PROGRAMS			497,177	611,046

See notes to the Schedule of Federal Awards Expenditures.

South Central Local Schools
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2002

1. **Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than the obligation is incurred.

2. **Food Distribution**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at 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 food commodities in inventory recorded in the Enterprise Fund.

3. **Matching Requirements**

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on this schedule.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
South Central Local School District
Greenwich, Ohio

We have audited the financial statements of the South Central Local School District as of and for the year ended June 30, 2002, and have issued our report thereon dated November 8, 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 certain immaterial instances of noncompliance that we have reported to management in a separate letter dated November 8, 2002.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated November 8, 2002.

This report is intended for the information and use of management, the Board of Education, 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.

Charles E. Harris & Associates, Inc.
November 8, 2002

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
South Central Local School District
Greenwich, Ohio

Compliance

We have audited the compliance of the South Central Local School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs 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 State 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. 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 programs 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.

This report is intended for the information and use of management, the Board of Education, 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.

Charles E. Harris & Associates, Inc.
November 8, 2002

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY
June 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Technology Literacy Challenge Grant CFDA# 84.318 Title I Educationally Deprived Children CFDA# 84.010
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY
June 30, 2002

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2001, did not include material citations or recommendations.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

SOUTH CENTRAL LOCAL SCHOOL DISTRICT

HURON 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 9, 2003**