



**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of North Central Local School District, Williams County, (the District) as of and for the year ended June 30, 2000, 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the North Central Local School District, Williams County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2001 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.

Jim Petro
Auditor of State

January 19, 2001

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**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$702,448	\$81,958	\$258,909	\$3,928
Receivables:				
Taxes	1,709,206		264,474	
Accounts	350			
Interfund Receivable	20,200			
Materials and Supplies Inventory	10,496			
Prepaid Items	7,180			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	143,779			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	\$2,593,659	\$81,958	\$523,383	\$3,928

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$19,793	\$82,816			\$1,149,852
				1,973,680
301	250			901
				20,200
7,560				18,056
				7,180
				143,779
76,017 (40,391)		\$6,834,436		6,910,453 (40,391)
			\$258,909	258,909
			3,062,149	3,062,149
\$63,280	\$83,066	\$6,834,436	\$3,321,058	\$13,504,768

(Continued)

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$84,321	\$6,411		\$142
Accrued Wages and Benefits	360,003	15,222		
Compensated Absences Payable	21,935			
Interfund Payable		3,100		
Intergovernmental Payable	61,041	2,228		
Deferred Revenue	1,549,997		\$248,995	
Due to Students				
General Obligation Bonds Payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>2,077,297</u>	<u>26,961</u>	<u>248,995</u>	<u>142</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	46,012	10,165		
Reserved for Inventory	10,496			
Reserved for Prepaid Items	7,180			
Reserved for Debt Service Principal			258,909	
Reserved for Advances	20,200			
Reserved for Property Taxes	159,209		15,479	
Reserved for Textbooks and Instructional Materials	21,571			
Reserved for Capital Improvements	35,367			
Reserved for Budget Stabilization	86,841			
Unreserved:				
Unreserved, Undesignated	129,486	44,832		3,786
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	<u>516,362</u>	<u>54,997</u>	<u>274,388</u>	<u>3,786</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,593,659</u>	<u>\$81,958</u>	<u>\$523,383</u>	<u>\$3,928</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$492	\$1,225			\$92,591
9,505				384,730
7,923			\$367,739	397,597
17,100				20,200
6,246			28,319	97,834
1,965				1,800,957
	53,150			53,150
			2,925,000	2,925,000
<u>43,231</u>	<u>54,375</u>		<u>3,321,058</u>	<u>5,772,059</u>
		\$6,834,436		6,834,436
20,049				20,049
				56,177
				10,496
				7,180
				258,909
				20,200
				174,688
				21,571
				35,367
				86,841
	28,691			206,795
<u>20,049</u>	<u>28,691</u>	<u>6,834,436</u>		<u>7,732,709</u>
<u>\$63,280</u>	<u>\$83,066</u>	<u>\$6,834,436</u>	<u>\$3,321,058</u>	<u>\$13,504,768</u>

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Year Ended June 30, 2000**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$1,943,637	\$189,945
Interest	40,193	687
Tuition and Fees	5,814	
Rent	85	
Extracurricular Activities		36,368
Gifts and Donations	262,798	
Property and Other Local Taxes	1,904,041	
Miscellaneous	2,247	2,421
	<hr/>	<hr/>
Total Revenues	4,158,815	229,421
	<hr/>	<hr/>
Expenditures:		
Instruction:		
Regular	1,942,356	50,323
Special	258,775	101,128
Vocational	135,131	
Adult/Continuing		3,908
Other	7,209	
Support services:		
Pupils	130,960	3,188
Instructional Staff	165,039	19,850
Board of Education	14,223	
Administration	372,510	2,241
Fiscal	139,465	798
Operation and Maintenance of Plant	380,210	
Pupil Transportation	307,658	
Central	50,509	5,451
Non-Instructional Services	4,039	73
Extracurricular activities	83,365	35,364
Capital Outlay		
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
	<hr/>	<hr/>
Total Expenditures	3,991,449	222,324
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	167,366	7,097
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Refund of Prior Year Expenditures	33,895	
Refund of Prior Year Receipts	(57)	
Other Financing Uses	(75)	
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	33,763	
	<hr/>	<hr/>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	201,129	7,097
	<hr/>	<hr/>
Fund Balance at Beginning of Year	315,233	47,900
	<hr/>	<hr/>
Fund Balance at End of Year	\$516,362	\$54,997
	<hr/> <hr/>	<hr/> <hr/>

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$28,566	\$30,982		\$2,193,130
14,669		\$874	56,423
			5,814
			85
			36,368
		10,070	272,868
291,568			2,195,609
			4,668
<u>334,803</u>	<u>30,982</u>	<u>10,944</u>	<u>4,764,965</u>
	2,234		1,994,913
			359,903
			135,131
			3,908
			7,209
			134,148
			184,889
			14,223
			374,751
7,325			147,588
			380,210
			307,658
			55,960
		1,500	5,612
			118,729
	28,618		28,618
90,000			90,000
182,780			182,780
<u>280,105</u>	<u>30,852</u>	<u>1,500</u>	<u>4,526,230</u>
<u>54,698</u>	<u>130</u>	<u>9,444</u>	<u>238,735</u>
			33,895
			(57)
	(2,365)		(2,440)
	(2,365)		31,398
54,698	(2,235)	9,444	270,133
219,690	6,021	19,247	608,091
<u>\$274,388</u>	<u>\$3,786</u>	<u>\$28,691</u>	<u>\$878,224</u>

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Fund Types
For the Year Ended June 30, 2000**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$1,943,287	\$1,943,287	
Interest	40,193	40,193	
Tuition and Fees	5,814	5,814	
Rent	140	140	
Extracurricular Activities			
Gifts and Donations	294,759	294,759	
Property and Other Local Taxes	1,894,416	1,894,416	
Miscellaneous	2,247	2,247	
Total Revenues	4,180,856	4,180,856	
Expenditures:			
Current:			
Instruction:			
Regular	2,105,635	1,967,035	\$138,600
Special	336,756	266,401	70,355
Vocational	136,297	134,591	1,706
Adult/Continuing			
Other	7,210	7,210	
Support services:			
Pupils	134,906	133,342	1,564
Instructional Staff	178,170	176,004	2,166
Board of Education	14,330	14,223	107
Administration	382,015	374,904	7,111
Fiscal	140,306	139,181	1,125
Operation and Maintenance of Plant	430,497	392,457	38,040
Pupil Transportation	325,088	312,992	12,096
Central	60,192	50,284	9,908
Non-Instructional Services	4,043	4,039	4
Extracurricular activities	87,154	83,403	3,751
Capital Outlay	144,388		144,388
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	4,486,987	4,056,066	430,921
Excess (Deficiency) of Revenues Over (Under) Expenditures	(306,131)	124,790	430,921
Other Financing Sources(Uses)			
Refund of Prior Year Expenditures	33,895	33,895	
Advances In	2,000	2,000	
Refund of Prior Year Receipts	(132)	(132)	
Advances Out	(3,623)	(3,100)	523
Other Financing Uses	(59,140)		59,140
Total Other Financing Sources (Uses)	(27,000)	32,663	59,663
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(333,131)	157,453	490,584
Fund Balance at Beginning of Year	559,136	559,136	
Prior Year Encumbrances Appropriated	45,317	45,317	
Fund Balance at End of Year	\$271,322	\$761,906	\$490,584

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$184,812 687	\$184,812 687		\$28,566 14,669	\$28,566 14,669	
36,368	36,368				
2,618	2,618		290,632	290,632	
<u>224,485</u>	<u>224,485</u>		<u>333,867</u>	<u>333,867</u>	
61,805	51,669	\$10,136			
112,790	96,932	15,858			
5,000	4,936	64			
5,502	3,299	2,203			
9,303	7,299	2,004			
2,827	2,359	468			
798	798		8,025	7,325	\$700
6,407	6,414	(7)			
1,030	287	743			
40,649	40,283	366			
			90,000	90,000	
			182,780	182,780	
<u>246,111</u>	<u>214,276</u>	<u>31,835</u>	<u>280,805</u>	<u>280,105</u>	<u>700</u>
<u>(21,626)</u>	<u>10,209</u>	<u>31,835</u>	<u>53,062</u>	<u>53,762</u>	<u>700</u>
3,100	3,100				
(2,000)	(2,000)				
<u>1,100</u>	<u>1,100</u>				
(20,526)	11,309	31,835	53,062	53,762	700
49,521	49,521		205,147	205,147	
4,552	4,552				
<u>\$33,547</u>	<u>\$65,382</u>	<u>\$31,835</u>	<u>\$258,209</u>	<u>\$258,909</u>	<u>\$700</u>

(Continued)

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Fund Types
For the Year Ended June 30, 2000
(Continued)**

	<u>Capital Projects</u>		<u>Variance: Favorable (Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$30,983	\$30,983	
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	<u>30,983</u>	<u>30,983</u>	
Expenditures:			
Current:			
Instruction:			
Regular	5,737	2,235	\$3,502
Special			
Vocational			
Adult/Continuing			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant	284		284
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	28,618	28,618	
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>34,639</u>	<u>30,853</u>	<u>3,786</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,656)</u>	<u>130</u>	<u>3,786</u>
Other Financing Sources(Uses)			
Refund of Prior Year Expenditures			
Advances In			
Refund of Prior Year Receipts			
Advances Out			
Other Financing Uses	(2,365)	(2,365)	
Total Other Financing Sources (Uses)	<u>(2,365)</u>	<u>(2,365)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(6,021)	(2,235)	3,786
Fund Balance at Beginning of Year	5,261	5,261	
Prior Year Encumbrances Appropriated	760	760	
Fund Balance at End of Year	<u><u>5,261</u></u>	<u><u>5,261</u></u>	<u><u>3,786</u></u>

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

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$2,187,648	\$2,187,648	
\$874	\$874		56,423	56,423	
			5,814	5,814	
			140	140	
			36,368	36,368	
10,070	10,070		304,829	304,829	
			2,185,048	2,185,048	
			4,865	4,865	
10,944	10,944		4,781,135	4,781,135	
			2,173,177	2,020,939	\$152,238
			449,546	363,333	86,213
			136,297	134,591	1,706
			5,000	4,936	64
			7,210	7,210	
			140,408	136,641	3,767
			187,473	183,303	4,170
			14,330	14,223	107
			384,842	377,263	7,579
			149,129	147,304	1,825
			430,781	392,457	38,324
			325,088	312,992	12,096
2,750	1,500	\$1,250	66,599	56,698	9,901
			7,823	5,826	1,997
			127,803	123,686	4,117
			173,006	28,618	144,388
			90,000	90,000	
			182,780	182,780	
2,750	1,500	1,250	5,051,292	4,582,800	468,492
8,194	9,444	1,250	(270,157)	198,335	468,492
			33,895	33,895	
			5,100	5,100	
			(132)	(132)	
			(5,623)	(5,100)	523
			(61,505)		59,140
			(28,265)	33,763	59,663
8,194	9,444	1,250	(298,422)	232,098	528,155
19,247	19,247		838,312	838,312	
			50,629	50,629	
\$27,441	\$28,691	\$1,250	\$590,519	\$1,121,039	\$528,155

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Retained Earnings
Enterprise Funds
For the Year Ended June 30, 2000**

	Enterprise
Operating Revenues:	
Sales	\$170,458
Operating Expenses	
Salaries	61,295
Fringe Benefits	28,798
Purchased Services	8,221
Materials and Supplies	130,997
Depreciation	2,329
Total Operating Expenses	231,640
Operating Loss	(61,182)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	21,253
Interest	451
Federal and State Subsidies	36,704
Total Non-Operating Revenues and Expenses	58,408
Net Loss	(2,774)
Retained Earnings at Beginning of Year	22,823
Retained Earnings at End of Year	\$20,049

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Combined Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2000**

	Enterprise
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities:	
Cash Received from Sales	\$170,521
Cash Payments to Suppliers for Goods and Service	(110,387)
Cash Payments for Contract Services	(8,221)
Cash Payments for Employee Services	(66,078)
Cash Payments for Employee Benefits	(31,074)
Other Cash Payments	(31,074)
	(45,239)
Net Cash Used by Operating Activities	(45,239)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	42,874
Cash Flows from Investing Activities:	
Interest Received	451
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(730)
Net Decrease in Cash and Cash Equivalents	(2,644)
Cash and Cash Equivalents at Beginning of Year	22,437
Cash and Cash Equivalents at End of Year	\$19,793
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Loss	(\$61,182)
Adjustments to Reconcile Operating Loss To Net Cash Provided (Used) by Operating Activities:	
Depreciation	2,329
Donated Commodities Used During the Year	21,253
Adjustments to Capital Outlay	(640)
(Increase) Decrease in Assets:	
Accounts Receivable	63
Material and Supplies Inventory	227
Increase (Decrease) in Liabilities:	
Accounts Payable	294
Compensated Absences Payable	962
Intergovernmental Payable	(2,714)
Deferred Revenue	(524)
Accrued Wages and Benefits	(5,307)
	15,943
Net Cash Used by Operating Activities	(\$45,239)

The Food Service Fund consumed donated commodities with a value of \$21,253
The use of these commodities are reflected as an operating expense.

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

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**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

North Central Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. North Central Local School District is a local school district as defined by § 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's one instructional and support facility.

The Reporting Entity

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

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

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13 and 14 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The modified accrual basis of accounting is followed for Governmental, Expendable Trust, and Agency Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. 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 year end.
 - a. Revenue accrued at the end of the year, included taxes, interest, student fees, and tuition.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the General-Purpose Financial Statements
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- b. Property taxes measurable but not available as of June 30, 2000 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.
4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

The Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

The Proprietary 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. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

2. Proprietary Funds

The funds used to account for Board activities that are similar to business operations in the private sector. Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Fiduciary Funds

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

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

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

4. Account Groups

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

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

C. Budgetary Accounting

Budgets are adopted on a cash basis.

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

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and

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conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

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

An analysis of the difference between GAAP and budgetary basis for all governmental fund types and expendable trust fund for the year ended June 30, 2000 follows:

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Excess (Deficiency) of Revenues and Other Financing
Sources Over (Under) Expenditures and Other Uses

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget basis	\$157,453	\$11,309	\$53,762	(\$2,235)	\$9,444
Adjustments for:					
Revenue accruals	(22,041)	4,936	936		
Expenditure accruals	(19,705)	(24,625)		(284)	
Other financing sources (uses)	1,101	(1,100)			
Encumbrances	84,321	16,577		284	
GAAP Basis	<u>\$201,129</u>	<u>\$7,097</u>	<u>\$54,698</u>	<u>(\$2,235)</u>	<u>\$9,444</u>

D. Encumbrances

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

E. Pooled Cash and Investments

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

During fiscal year 2000, investments were limited to nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the District has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to all funds during fiscal year 2000 amounted to \$56,423.

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

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**Notes to the General-Purpose Financial Statements
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(Continued)**

F. Estimates

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

G. Inventory

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

H. Property, Plant and Equipment

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

3. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants

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for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Phonics Demonstration Grant
Teachers Professional Development Block Grant
Title I
Title VI
Title VI-B
Education Management Information Systems
Drug Free School Grant
Teacher Development
Textbooks/Instructional Materials Subsidy
Ohio Reads Grant
Summer Intervention Fund

Capital Projects Funds

SchoolNet Plus
Technology Equity
Emergency Repair Fund

Reimbursable Grants

General Fund

Driver Education Reimbursement

Special Revenue Funds

Vocational Adult Education

Enterprise Fund

National School Lunch Program
Government Donated Commodities

I. Interfund Transactions

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

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**Notes to the General-Purpose Financial Statements
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(Continued)**

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

J. Total Columns on Financial Statements

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

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

L. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has

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**Notes to the General-Purpose Financial Statements
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identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for employees after five years of service with the District.

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

N. Long-Term Obligations

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

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

- A. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- B. Bonds, notes, debentures, or other obligations issued by any federal government agency; including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- C. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- D. Bonds and other obligations of the State of Ohio;
- E. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and
- F. The Ohio State Treasurer's investment pool (STAR Ohio).

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

Cash on Hand

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

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

Deposits

At year end, the carrying amount of the District's deposits was \$588,576 and the bank balance was \$631,355. Of the bank balance:

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1. \$115,000 was covered by federal depository insurance; and
2. \$516,355 was collateralized by securities specifically pledged by the financial institution in the name of the District.

Investments

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

The \$705,015 carrying value in the State Treasurer's Investment Pool (Star Ohio) approximated the fair value at June 30, 2000. Amounts in Star Ohio cannot be categorized for credit risk because no securities exist in physical or book entry form in the name of the District.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

	<u>Cash and Cash Equivalents Deposits</u>	<u>Investments</u>
GASB Statement 9	\$1,293,631	
Cash on Hand	(40)	
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(705,015)	\$705,015
GASB Statement 3	<u>\$588,576</u>	<u>\$705,015</u>

4. PROPERTY TAXES

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

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

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

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

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

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

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

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

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

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

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2000. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2000. The amount available as an advance at June 30, 2000 was \$174,688. \$159,209 was available to the General Fund and \$15,479 was available to the Debt Service Fund.

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

	Amount
Residential/Agricultural	\$39,842,300
Commercial/Industrial	6,614,120
Public Utility Personal and Real Property	2,968,830
General Personal Property	11,568,940
Total valuation	<u>\$60,994,190</u>

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5. FIXED ASSETS

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

Asset Category	Balance at 7/1/99	Additions	Disposals	Balance at 6/30/00
Land and improvements	\$ 321,707			\$321,707
Buildings and improvements	4,498,882			4,498,882
Furniture and equipment	970,385	\$26,452	\$11,493	985,344
Vehicles	394,422	65,402	22,296	437,528
Textbooks and library books	565,326	25,649		590,975
Total	<u>\$6,750,722</u>	<u>\$117,503</u>	<u>\$33,789</u>	<u>\$6,834,436</u>

A summary of Enterprise Fund fixed assets at June 30, 2000 follows:

Asset Category	Balance at 6/30/00
Furniture, fixtures, and equipment	\$76,017
Less: accumulated depreciation	(40,391)
Totals	<u>\$35,626</u>

6. LONG-TERM OBLIGATIONS

During the year ended June 30, 2000, the following changes occurred in obligations reported in the general long term obligations account Group:

	Balance at 07/01/99	Additions	Deductions	Balance at 06/30/00
General obligation bonds	\$3,015,000		\$90,000	\$2,925,000
Pension obligation	32,806		4,487	28,319
Compensated absences	352,130	\$15,609		367,739
Total	<u>\$3,399,936</u>	<u>\$15,609</u>	<u>\$94,487</u>	<u>\$3,321,058</u>

Debt outstanding at June 30, 2000 consisted of General Obligation Bonds totaling \$2,925,000 (interest rate was 6.5 percent at June 30, 2000). The bonds were issued in October 1992 and will mature in December 2015.

Total expenditures for interest for the above debt for the period ended June 30, 2000 was \$182,780.

The scheduled payments of principal and interest on debt outstanding at June 30, 2000 are as follows:

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For the Years Ending June 30,	Principal	Interest	Total
2001	\$100,000	\$178,047	\$278,047
2002	105,000	172,741	277,741
2003	110,000	166,988	276,988
2004	120,000	160,630	280,630
2005	130,000	153,565	283,565
thereafter	2,360,000	936,625	3,296,625
Total	<u>\$2,925,000</u>	<u>\$1,768,596</u>	<u>\$4,693,596</u>

7. COMPENSATED ABSENCES

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

At June 30, 2000 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$21,935 and \$367,739, respectively. The liability for compensated absences in the proprietary funds at June 30, 2000 was \$7,923.

8. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. For fiscal year 2000, 9.79 percent was the portion used to fund pension obligations. Contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$92,111, \$89,957, and \$77,087, respectively; 71 percent has been

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contributed for fiscal year 2000 and 100 percent of the required contributions for fiscal years 1999 and 1998. \$36,744 representing unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. The plan offers basic retirement benefits, disability, survivor, and comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and requirements supplementary information. That report may be obtained by writing to STRS, 275 E. Broad St., Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2000 were 9.3 percent of covered payroll for members and 14 percent for employers, 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$312,863, \$287,012, and \$279,653, respectively; 86 percent has been contributed for fiscal year 2000 and 100 percent of the required contributions for fiscal years 1999 and 1998. \$52,500 representing unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

9. POSTEMPLOYMENT BENEFITS

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

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion on June 30, 1999. The Health Care Reserve Fund allocation for the year ended June 30, 2000 will be 8 percent of covered payroll.

For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2000
(Continued)**

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 6.30 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .450, then adding the surcharge due as of June 30, 2000, as certified to your district by SERS.

10. RISK MANAGEMENT

A. Comprehensive

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool (Note 14) consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which include health, vision, dental, and life insurance. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2000
(Continued)**

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 14). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

11. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 2000 was as follows:

	<u>Lunchroom/ Cafeteria</u>	<u>Uniform School Supply</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$141,378	\$29,080	\$170,458
Depreciation	2,329		2,329
Operating (loss)	(60,261)	(921)	(61,182)
Donated Commodities	21,253		21,253
Interest	361	90	451
Grants	36,704		36,704
Net (loss)	(1,943)	(831)	(2,774)
Fixed asset additions	1,370		1,370
Net working capital	(22,311)	6,734	(15,577)
Total assets	56,546	6,734	63,280
Total liabilities	43,231		43,231
Total equity	13,315	6,734	20,049

12. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2000 consist of the following individual fund receivables and payables:

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2000
(Continued)**

	Loans Receivable	Loans Payable
General Fund	\$20,200	
Special Revenue		\$3,100
Enterprise		17,100
Total All Funds	\$20,200	\$20,200

13. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

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

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements by the District to NBEC were \$343,220. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Centers - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. No payments were made by the District to the Four County Career Center. To obtain financial information write to the Four County Joint Career Center, Michele Zeedyk, who serves as Treasurer, at 22-900 State Route 34, Box 245A, Archbold, Ohio 43502.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2000
(Continued)**

14. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to Northern Buckeye Education Council for insurance benefits were \$342,440. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During fiscal year 2000 the District paid an enrollment fee of \$530 to the WCGRP to cover the costs of administering the program.

15. AGENCY FUNDS

General-Purpose Statement of Changes in Assets and Liabilities			
	Balance at June 30, 1999	Change	Balance at June 30, 2000
Assets	\$51,737	\$2,638	\$54,375
Liabilities	\$51,737	\$2,638	\$54,375

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization.

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2000
(Continued)**

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1999			\$50,237	
Current Year Set-aside Requirement	\$105,034	\$105,034	36,604	
Current Year Offsets				
Qualifying Disbursements	(83,463)	(69,667)		
Total	\$21,571	\$35,367	\$86,841	
Cash Balance Carried Forward to FY 2001	\$21,571	\$35,367	\$86,841	
Amount restricted for Textbooks and Instructional Materials				\$21,571
Amount restricted for Capital Improvement				\$35,367
Amount restricted for Budget Stabilization				86,841
Total Restricted Assets				\$143,779

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

17. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$1,758,695 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "major areas warrant further attention, study, and development by the General Assembly," including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2000
(Continued)**

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

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

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

To the Board of Education:

We have audited the financial statements of North Central Local School District, Williams County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 19, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 of the District in a separate letter dated January 19, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 19, 2001.

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

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

Jim Petro
Auditor of State

January 19, 2001



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OFFICE OF THE AUDITOR

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NORTH CENTRAL LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 08, 2001**