



**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



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 (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of North Central Local School District, Williams County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 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

December 27, 2001

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**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,071,885	\$117,702	\$358,355	\$35,833
Receivables:				
Taxes	2,044,633		289,348	
Accounts	169			
Interfund Receivable	11,800			
Materials and Supplies Inventory	13,513			
Prepaid Items	11,597			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	43,457			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount in Debt Service Fund for Retirement of General Long Term Obligations Provided from General Government Resources				
Total Assets and Other Debits	\$3,197,054	\$117,702	\$647,703	\$35,833
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$23,526	\$8,056		\$3,357
Accrued Wages and Benefits	408,046	15,043		
Compensated Absences Payable	32,470			
Interfund Payable				
Intergovernmental Payable	59,133	3,495		
Deferred Revenue	1,946,040		\$279,763	
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>2,469,215</u>	<u>26,594</u>	<u>279,763</u>	<u>3,357</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	61,553	9,279		23
Reserved for Inventory	13,513			
Reserved for Prepaid Items	11,597			
Reserved for Debt Service Principal			358,355	
Reserved for Advances	11,800			
Reserved for Property Taxes	98,593		9,585	
Reserved for Textbooks and Instructional Materials	34,829			
Reserved for Budget Stabilization	8,628			
Unreserved, Undesignated	487,326	81,829		32,453
Total Fund Equity and Other Credits	<u>727,839</u>	<u>91,108</u>	<u>367,940</u>	<u>32,476</u>
Total Liabilities, Fund Equity and Other Credits	\$3,197,054	\$117,702	\$647,703	\$35,833

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			
\$24,520	\$85,854			\$1,694,149
				2,333,981
368				537
				11,800
4,788				18,301
				11,597
				43,457
81,442		\$7,351,113		7,432,555
(42,040)				(42,040)
			\$358,355	358,355
			2,897,968	2,897,968
\$69,078	\$85,854	\$7,351,113	\$3,256,323	\$14,760,660
\$354	\$563			\$35,856
14,790				437,879
9,073			\$399,218	440,761
11,800				11,800
6,552			32,105	101,285
1,912				2,227,715
	54,457			54,457
			2,825,000	2,825,000
44,481	55,020		3,256,323	6,134,753
		\$7,351,113		7,351,113
17,100				17,100
7,497				7,497
				70,855
				13,513
				11,597
				358,355
				11,800
				108,178
				34,829
				8,628
	30,834			632,442
24,597	30,834	7,351,113		8,625,907
\$69,078	\$85,854	\$7,351,113	\$3,256,323	\$14,760,660

**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, 2001**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$2,062,194	\$289,691
Interest	47,188	626
Tuition and Fees	4,494	
Rent	515	
Extracurricular Activities		31,950
Gifts and Donations	428,427	
Property and Other Local Taxes	1,965,161	
Miscellaneous	10,951	2,184
Total Revenues	<u>4,518,930</u>	<u>324,451</u>
Expenditures:		
Instruction:		
Regular	2,054,035	50,280
Special	246,531	129,097
Vocational	148,950	1,000
Adult/Continuing		954
Other	18,376	
Support services:		
Pupils	136,085	5,441
Instructional Staff	182,821	36,453
Board of Education	13,234	
Administration	409,833	2,625
Fiscal	167,294	798
Operation and Maintenance of Plant	370,822	
Pupil Transportation	270,126	
Central	69,826	12,191
Non-Instructional Services	1,520	959
Extracurricular activities	80,855	46,865
Capital Outlay	6,255	
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	<u>4,176,563</u>	<u>286,663</u>
Excess of Revenues Over (Under) Expenditures	<u>342,367</u>	<u>37,788</u>
Other Financing Sources and (Uses)		
Operating Transfers In	2,222	545
Refund of Prior Year Expenditures	5,846	
Refund of Prior Year Receipts	(17,100)	
Operating Transfers Out	(121,468)	(2,222)
Refund of Prior Year Receipts	(390)	
Total Other Financing Sources and (Uses)	<u>(130,890)</u>	<u>(1,677)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	211,477	36,111
Fund Balance at Beginning of Year	<u>516,362</u>	<u>54,997</u>
Fund Balance at End of Year	<u><u>\$727,839</u></u>	<u><u>\$91,108</u></u>

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

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$33,174	\$130,989		\$2,516,048
19,064	310	\$1,334	68,522
			4,494
			515
			31,950
	186,498	4,309	619,234
328,020			2,293,181
			13,135
<u>380,258</u>	<u>317,797</u>	<u>5,643</u>	<u>5,547,079</u>
	30,299		2,134,614
			375,628
			149,950
			954
			18,376
			141,526
			219,274
			13,234
			412,458
8,659			176,751
			370,822
			270,126
			82,017
		3,500	5,979
			127,720
	379,731		385,986
100,000			100,000
178,047			178,047
<u>286,706</u>	<u>410,030</u>	<u>3,500</u>	<u>5,163,462</u>
<u>93,552</u>	<u>(92,233)</u>	<u>2,143</u>	<u>383,617</u>
	120,923		123,690
			(17,100)
			(123,690)
			(390)
	<u>120,923</u>		<u>(17,490)</u>
93,552	28,690	2,143	371,973
274,388	3,786	28,691	878,224
<u>\$367,940</u>	<u>\$32,476</u>	<u>\$30,834</u>	<u>\$1,250,197</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, 2001**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$2,079,192	\$2,062,544	(\$16,648)
Interest	40,751	47,188	6,437
Tuition and Fees	4,400	4,494	94
Rent	500	515	15
Extracurricular Activities			
Gifts and Donations	309,505	428,427	118,922
Property and Other Local Taxes	1,820,206	2,025,777	205,571
Miscellaneous	1,200	10,951	(16,648)
Total Revenues	4,255,754	4,579,896	297,743
Expenditures:			
Current:			
Instruction:			
Regular	2,103,057	2,099,962	3,095
Special	264,206	245,022	19,184
Vocational	140,740	137,845	2,895
Adult/Continuing			
Other	19,362	19,361	1
Support services:			
Pupils	143,245	140,774	2,471
Instructional Staff	189,194	184,769	4,425
Board of Education	16,057	16,041	16
Administration	400,852	398,021	2,831
Fiscal	152,563	151,680	883
Operation and Maintenance of Plant	444,463	439,579	4,884
Pupil Transportation	319,249	281,606	37,643
Central	74,712	69,602	5,110
Non-Instructional Services	1,643	1,605	38
Extracurricular activities	86,166	80,996	5,170
Capital Outlay	8,953	6,255	2,698
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	4,364,462	4,273,118	91,344
Excess of Revenues Over (Under) Expenditures	(108,708)	306,778	389,087
Other Financing Sources and (Uses)			
Operating Transfers In	2,222	2,222	
Refund of Prior Year Expenditures	5,677	5,677	
Advances In	75,100	75,100	
Operating Transfers Out	(121,468)	(121,468)	
Refund of Prior Year Receipts	(378)	(377)	1
Advances Out	(83,800)	(83,800)	
Other Financing Uses	(62,000)		62,000
Total Other Financing Sources (Uses)	(184,647)	(122,646)	62,001
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(293,355)	184,132	451,088
Fund Balance at Beginning of Year	761,906	761,906	
Prior Year Encumbrances Appropriated	84,321	84,321	
Fund Balance at end of Year	\$552,872	\$1,030,359	\$451,088

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$229,974	\$279,658	\$49,684	\$27,000	\$33,174	\$6,174
626	626		9,000	19,064	10,064
29,700	31,950	2,250			
2,250	2,184	(66)	283,250	333,914	50,664
262,550	314,418	51,868	319,250	386,152	66,902
68,631	56,099	12,532			
156,340	129,094	27,246			
1,000	1,000				
3,197	3,197				
5,441	5,441				
30,457	30,327	130			
3,102	2,895	207			
798	798		8,700	8,659	\$41
12,395	12,395				
960	960				
50,553	49,065	1,488			
			100,000	100,000	
			178,047	178,047	
332,874	291,271	41,603	286,747	286,706	41
(70,324)	23,147	93,471	32,503	99,446	66,943
545	545				
(2,222)	(2,222)				
(3,100)	(3,100)				
(4,777)	(4,777)				
(75,101)	18,370	93,471	32,503	99,446	66,943
65,382	65,382		258,909	258,909	
16,577	16,577				
\$6,858	\$100,329	\$93,471	\$291,412	\$358,355	\$66,943

(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, 2001
(Continued)**

	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$116,000	\$130,989	\$14,989
Interest	200	310	110
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations	189,150	186,498	(2,652)
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	<u>305,350</u>	<u>317,797</u>	<u>12,447</u>
Expenditures:			
Current:			
Instruction:			
Regular	45,918	30,464	15,454
Special			
Vocational			
Adult/Continuing			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	379,731	379,731	
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>425,649</u>	<u>410,195</u>	<u>15,454</u>
Excess of Revenues Over (Under) Expenditures	<u>(120,299)</u>	<u>(92,398)</u>	<u>27,901</u>
Other Financing Sources and (Uses)			
Operating Transfers In	120,923	120,923	
Refund of Prior Year Expenditures			
Advances In	72,000	72,000	
Operating Transfers Out			
Refund of Prior Year Receipts			
Advances Out	(72,000)	(72,000)	
Other Financing Uses			
Total Other Financing Sources (Uses)	<u>120,923</u>	<u>120,923</u>	
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	624	28,525	27,901
Fund Balance at Beginning of Year	3,786	3,786	
Prior Year Encumbrances Appropriated	142	142	
Fund Balance at end of Year	<u><u>\$4,552</u></u>	<u><u>\$32,453</u></u>	<u><u>\$27,901</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)
\$1,340	\$1,334	(\$6)	\$2,452,166	\$2,506,365	\$54,199
			51,917	68,522	16,605
			4,400	4,494	94
			500	515	15
			29,700	31,950	2,250
250	4,309	4,059	498,905	619,234	120,329
			2,103,456	2,359,691	256,235
			3,450	13,135	9,685
1,590	5,643	4,053	5,144,494	5,603,906	459,412
			2,217,606	2,186,525	31,081
			420,546	374,116	46,430
			141,740	138,845	2,895
			3,197	3,197	
			19,362	19,361	1
			148,686	146,215	2,471
			219,651	215,096	4,555
			16,057	16,041	16
			403,954	400,916	3,038
			162,061	161,137	924
			444,463	439,579	4,884
			319,249	281,606	37,643
			87,107	81,997	5,110
4,000	3,500	\$500	6,603	6,065	538
			136,719	130,061	6,658
			388,684	385,986	2,698
			100,000	100,000	
			178,047	178,047	
4,000	3,500	500	5,413,732	5,264,790	148,942
(2,410)	2,143	4,553	(269,238)	339,116	608,354
			123,690	123,690	
			5,677	5,677	
			147,100	147,100	
			(123,690)	(123,690)	
			(378)	(377)	1
			(158,900)	(158,900)	
			(62,000)		62,000
			(68,501)	(6,500)	62,001
(2,410)	2,143	4,553	(337,739)	332,616	670,355
28,691	28,691		1,118,674	1,118,674	
			101,040	101,040	
\$26,281	\$30,834	\$4,553	\$881,975	\$1,552,330	\$670,355

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Fund Equity
Enterprise Funds
For the Year Ended June 30, 2001**

Operating Revenues:	
Sales	\$172,704
Other Revenues	236
	172,940
Operating Expenses	
Salaries	71,888
Fringe Benefits	36,289
Purchased Services	9,620
Materials and Supplies	119,906
Depreciation	2,518
	240,221
Total Operating Revenues	172,940
Total Operating Expenses	240,221
Operating Loss	(67,281)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	21,142
Interest	333
Federal and State Subsidies	34,518
Loss on Sale of Fixed Assets	(1,264)
	54,729
Total Non-Operating Revenues and Expenses	54,729
Net Loss	(12,552)
Retained Earnings at Beginning of Year	20,049
Retained Earnings at End of Year	7,497
Contributed Capital at End of Year	17,100
Fund Equity at End of Year	\$24,597

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, 2001**

Increase in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Sales	\$172,637
Cash Received from Charges for Services	
Other Cash Receipts	236
Cash Payments to Suppliers for Goods and Services	(95,492)
Cash Payments for Contract Services	(9,619)
Cash Payments for Employee Services	(69,461)
Cash Payments for Employee Benefits	(31,975)
Net Cash Used by Operating Activities	(33,674)

Cash Flows from Noncapital Financing Activities:

Operating Grants Received	34,517
Advances In	11,800
Net Cash Provided by Noncapital Financing Activities	46,317

Cash Flows from Investing Activities:

Interest Received	333
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Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	(8,249)
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Net Increase in Cash and Cash Equivalents	4,727
Cash and Cash Equivalents at Beginning of Year	19,793

Cash and Cash Equivalents at End of Year	\$24,520
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Reconciliation of Operating Loss to Net Cash (Used) by Operating Activities:

Operating Loss	(\$67,281)
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Adjustments to Reconcile Operating Loss to

Net Cash Used by Operating Activities:

Depreciation	2,518
Donated Commodities Used During the Year	21,142
Adjustments to Capital Outlay	692
(Increase) Decrease in Assets:	
Accounts Receivable	(67)
Material and Supplies Inventory	2,772
Increase (Decrease) in Liabilities:	
Accounts Payable	(138)
Compensated Absences Payable	1,150
Intergovernmental Payable	306
Deferred Revenue	(53)
Accrued Wages and Benefits	5,285
Total Adjustments	33,607

Net Cash (Used) by Operating Activities	(\$33,674)
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The Food Service Fund consumed donated commodities with a value of \$21,142.

The use of these commodities is reflected as an operating expense.

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

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**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Reporting Entity

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

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

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, Northwest Ohio Educational Service Center, 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

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

A. Basis of Accounting

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

The Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

contributed capital and retained earnings components. The Enterprise funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

2. Proprietary Funds

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

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

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3. Fiduciary Funds

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

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

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

4. Account Groups

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

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

C. Budgetary Accounting

Budgets are adopted on a cash basis.

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

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, 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.

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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, 2001 follows:

	Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget basis	\$184,132	\$18,370	\$99,446	\$28,525	\$2,143
Adjustments for:					
Revenue accruals	(78,066)	10,033	(5,894)		
Expenditure accruals	11,829	(12,766)		(3,215)	
Other financing sources (uses)	8,599	3,100			
Encumbrances	84,983	17,374		3,380	
GAAP Basis	\$211,477	\$36,111	\$93,552	\$28,690	\$2,143

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

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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 2001, 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 2001. 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, 2001.

Following Ohio statutes, the District has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General, Special Revenue, Debt Service, Capital Projects, Expendable Trust, and Enterprise Funds during fiscal year 2001 amounted to \$47,188, \$626, \$19,064, \$310, \$1,334, and \$333, respectively.

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

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

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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 assets in the 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.

I. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Phonics Demonstration Grant
- Teacher Development
- Education Management Information Systems
- ONEnet Ohio Program
- Teachers Professional Development Block Grant
- Textbooks/Instructional Materials Subsidy
- Ohio Reads Grant
- Summer Intervention Fund
- Extended Learning Opportunity
- School Reading Improvement
- School Conflict Management Project
- Safe School Help Line
- Eisenhower Grant
- Title VI-B

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Title I
Title VI
Drug Free School Grant
Continuous Improvement Grant
Title VI-R
School to Work Project

Capital Projects Funds

SchoolNet Plus
Technology Equity
IVDL
Emergency Repair

Reimbursable Grants

Special Revenue Funds

Vocational Adult Education

Enterprise Fund

National School Lunch Program
Government Donated Commodities

J. Interfund Transactions

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

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

K. Restricted Assets

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

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principal, advances, property taxes, textbooks and instructional materials, and the Bureau of Workers' Compensation portion of the budget stabilization.

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

M. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for 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.

O. Total Columns on Financial Statements

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

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3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

- 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;
- Bonds, notes, debentures, or other obligations issued by any federal government agency; including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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- 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;
- Bonds and other obligations of the State of Ohio;
- 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
- 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 \$721,104 and the bank balance was \$771,216. Of the bank balance:

1. \$123,000 was covered by federal depository insurance; and
2. \$648,216 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

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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 \$1,016,462 carrying value in the State Treasurer's Investment Pool (Star Ohio) which represents its fair value at June 30, 2001. Amounts in Star Ohio cannot be categorized for credit risk because no securities exist in physical or book entry form in the name of the District.

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

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

	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$1,737,606	
Cash on Hand	(40)	
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(1,016,462)	\$1,016,462
GASB Statement 3	\$721,104	\$1,016,462

5. PROPERTY TAXES

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

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

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

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

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

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

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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, 2001. 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, 2001. The amount available as an advance at June 30, 2001 was \$108,178. \$98,593 was available to the General Fund and \$9,585 was available to the Debt Service Fund.

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

	<u>Amount</u>
Commercial/Industrial	\$8,440,670
Residential/Agricultural	50,807,870
Public Utility Personal and Real Property	2,951,390
General Personal Property	<u>13,590,660</u>
Total valuation	<u><u>\$75,790,590</u></u>

6. FIXED ASSETS

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

<u>Asset Category</u>	<u>Balance at 7/1/00</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/01</u>
Land and improvements	\$321,707	\$384,731		\$706,438
Buildings and improvements	4,498,882	6,255		4,505,137
Furniture and equipment	985,344	95,456	\$9,282	1,071,518
Vehicles	437,528	53,308	13,791	477,045
Textbooks and library books	<u>590,975</u>			<u>590,975</u>
Total	<u><u>\$6,834,436</u></u>	<u><u>\$539,750</u></u>	<u><u>\$23,073</u></u>	<u><u>\$7,351,113</u></u>

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A summary of Enterprise Fund fixed assets at June 30, 2001 follows:

<u>Asset Category</u>	<u>Balance at 6/30/01</u>
Furniture, fixtures, and equipment	\$81,442
Less: accumulated depreciation	<u>(42,040)</u>
Totals	<u><u>\$39,402</u></u>

7. LONG-TERM OBLIGATIONS

During the year ended June 30, 2001, the following changes occurred in obligations reported in the general long term obligations account group:

	<u>Balance at 7/01/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/01</u>
General obligation bonds	\$2,925,000		\$100,000	\$2,825,000
Pension obligation	28,319	\$3,786		32,105
Compensated absences	367,739	31,479		399,218
Total	<u>\$3,321,058</u>	<u>\$35,265</u>	<u>\$100,000</u>	<u>\$3,256,323</u>

Debt outstanding at June 30, 2001 consisted of General Obligation Bonds totaling \$2,825,000 (interest rate was 6.5 percent at June 30, 2001). 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, 2001 was \$178,047.

The scheduled payments of principal and interest on debt outstanding at June 30, 2001 are as follows:

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2006	140,000	145,415	285,415
thereafter	<u>2,220,000</u>	<u>791,210</u>	<u>3,011,210</u>
Total	<u><u>\$2,825,000</u></u>	<u><u>\$1,590,549</u></u>	<u><u>\$4,415,549</u></u>

8. RECEIVABLES

Receivables, at June 30, 2001, consisted of taxes and accounts (billings for user charged services). All receivables are considered collectable in full due to the ability to foreclose for the non-payment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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(Continued)**

9. COMPENSATED ABSENCES

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

At June 30, 2001 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 \$32,470 and \$399,218, respectively. The liability for compensated absences in the proprietary funds at June 30, 2001 was \$9,073.

10. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. Contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$91,460, \$92,111, and \$89,957, respectively; 55 percent has been contributed for fiscal year 2001 and 100 percent of the required contributions for fiscal years 2000 and 1999. \$41,628 representing unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account group.

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.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001 were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its 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, 2001, 2000, and 1999 were \$330,949, \$312,863, and \$287,012, respectively; 85 percent has been contributed for fiscal year 2001 and 100 percent of the required contributions for fiscal years 2000 and 1999. \$50,400 representing unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

11. POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare 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 to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, 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 \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45 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 2000, 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, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of District contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .6036, then adding the surcharge due as of June 30, 2000, as certified to the District by SERS.

12. RISK MANAGEMENT

A. Comprehensive

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

B. Employee Insurance Benefits Program

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

C. Workers' Compensation Group Program

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

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

13. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 2001 was as follows:

	Food Service	Uniform School Supply	NC Good Stuff	Total Enterprise Funds
Operating revenues	\$144,723	\$27,981	\$236	\$172,940
Depreciation	2,518			2,518
Operating Income (Loss)	(73,592)	6,180	131	(67,281)
Donated Commodities	21,142			21,142
Interest	161	172		333
Grants	34,518			34,518
Loss on Sale of Fixed Assets	(1,264)			(1,264)
Net Income (Loss)	(19,035)	6,352	131	(12,552)
Fixed asset additions	7,558			7,558
Net working capital	(45,123)	13,087	131	(31,905)
Total assets	55,860	13,087	131	69,078
Total liabilities	44,481			44,481
Total equity	(5,721)	13,087	131	7,497

14. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2001 consist of the following individual fund receivables and payables:

	Loans Receivable	Loans Payable
General Fund	\$11,800	
Enterprise		\$11,800
Total All Funds	\$11,800	\$11,800

15. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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 \$389,174. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

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

D. Northwestern Ohio Educational Research Council, Inc.

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

16. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to Northern Buckeye Education Council for insurance benefits were \$389,174. Financial information can be obtained from

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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 2001 the District paid an enrollment fee of \$569 to the WCGRP to cover the costs of administering the program.

17. AGENCY FUNDS

<u>General-Purpose Statement of Changes in Assets and Liabilities</u>			
	Balance at June 30, 2000	Change	Balance at June 30, 2001
Assets	\$54,375	\$645	\$55,020
Liabilities	\$54,375	\$645	\$55,020

18. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds is required to be set-aside at year end.

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, 2001
(Continued)**

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2000	\$21,571	\$35,367	\$86,841	
Current Year Set-aside Requirement Transferred to General Fund	105,695	105,695	(78,213)	
Qualifying Disbursements	<u>(92,437)</u>	<u>(387,986)</u>		
Total	<u>\$34,829</u>	<u>(\$246,924)</u>	<u>\$8,628</u>	
Cash Balance Carried Forward to FY 2002	<u>\$34,829</u>		<u>\$8,628</u>	
Amount restricted for Textbooks				\$34,829
Amount restricted for Budget Stabilization				<u>8,628</u>
Total Restricted Assets				<u>\$43,457</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may be used to off set future year textbook set aside requirements; however, they not be used to reduce future capital set aside requirements.

19. STATE SCHOOL FUNDING DECISION

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

A change in the districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 27, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, 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.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the 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.

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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 (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 27, 2001. 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 of the District in a separate letter dated December 27, 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 December 27, 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 management, the audit committee 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

December 27, 2001



STATE OF OHIO
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
JANUARY 10, 2002**