

SOUTH CENTRAL LOCAL SCHOOL DISTRICT

AUDIT REPORT

For the Year Ended June 30, 2001

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
South Central Local School District
Greenwich, Ohio

We have reviewed the Independent Auditor's Report of the South Central Local School District, Huron County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2000 to June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

February 11, 2002

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South Central Local School District
Audit Report
For the Year Ended June 30, 2001

Table of Contents

	<u>Page #</u>
Administrative Personnel	ii
Elected Officials	iii
Index of Funds and Account Groups	iv - v
Report of Independent Accountants	1
Combined Balance Sheet, All Fund Types and Account Groups -As of June 30, 2001	2-3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Similar Trust Fund - For the Year Ended June 30, 2001	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and Similar Trust Fund - For the Year Ended June 30, 2001	6-8
Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types and Similar Trust Fund, - For the Year Ended June 30, 2001	9
Combined Statement of Changes in Cash Flows - All Proprietary Fund Types and Similar Trust Fund - For the Year Ended June 30, 2001	10
Notes to the General Purpose Financial Statements	11-34
Schedule of Federal Award Expenditures	35
Notes to the Schedule of Federal Award Expenditures	36
Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	37-38
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	39-40
Schedule of Findings and Questioned Costs	41-42
Status of Prior Audit's and Citations and Recommendations	43

South Central Local School District
Audit Report
For the Year Ended June 30, 2001

ADMINISTRATIVE PERSONNEL

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

LEGAL COUNSEL:

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

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

South Central Local School District
Audit Report
For the Year Ended June 30, 2001

ELECTED OFFICIALS

<u>BOARD OF EDUCATION</u>	<u>TITLE</u>	<u>TERM OF EXPIRATION</u>	<u>SURETY</u>
James L. Bond	President	1/00 to 12/03	\$20,000
Dean A. Sweeting	Vice-President	1/98 to 12/01	
Richard E. Pettit	Member	1/00 to 12/03	
Gene E. Lamoreaux	Member	1/98 to 12/01	
Leann Palm	Member	1/00 to 12/03	

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

South Central Local School District
Audit Report
For the Year Ended June 30, 2001

INDEX OF FUNDS AND ACCOUNT GROUPS

GOVERNMENTAL FUND TYPES:

General Fund:

General Fund

Special Revenue Funds:

Public School Support

Classroom Facilities Maintenance

District Managed Activities

Local Professional Development Block Grant

Management Information System Fund

DPIA

Schoolnet Professional Development Grant

Textbook/Instruction Material

Ohio Read Community Grant

School Conflict Management Grant

Eisenhower Professional Development Grant

Title VI-B

Title I

Title VI

Drug Free Schools

Early Childhood Education Development

EHA Preschool Grant Handicap

Telecom E-Rate

Improving Academic Achievement

Debt Service Fund:

Bond Retirement

Capital Projects Funds:

Permanent Improvement

Building

Building fund for construction #28

Schoolnet

Technology Equity Funds

Emergency Building Repair

South Central Local School District
Audit Report
For the Year Ended June 30, 2001

PROPRIETARY FUND TYPES:

Enterprise Funds:

Food Service
Uniform School Supplies
Adult Education

Internal Service Fund:

Rotary fund

FIDUCIARY FUND TYPES:

Expendable Trust Fund:

Special Trust

Non-Expendable Trust Fund:

Endowment Fund

Agency Funds:

Trust Fund/Unclaimed Monies
Student Activity

ACCOUNT GROUPS:

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

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

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
South Central Local School District
Greenwich, Ohio

We have audited the accompanying general purpose financial statements of the South Central Local School District (the District), as of and for the year ended June 30, 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

As described in Note 17 to the financial statements, the District adopted Governmental Accounting and Standards Board Statements Nos. 33 and 36 for the year ended June 30, 2001.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 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.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the South Central Local School District taken as a whole. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information as been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
December 28, 2001

SOUTH CENTRAL LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET
All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
ASSETS										
Equity in pooled cash and cash equivalents	\$ 1,741,032	285,643	137,829	92,712	82,638	194	167,201	-	-	2,507,249
Restricted cash and cash equivalents	572,196	-	-	-	-	-	-	-	-	572,196
Cash in Segregated Accounts	-	-	-	-	-	-	1,179	-	-	1,179
Cash with fiscal agents	-	-	29	-	-	-	-	-	-	29
Receivables:										
Taxes	1,446,296	26,214	147,667	-	-	-	-	-	-	1,620,177
Accounts	233	516	-	-	130	-	309	-	-	1,188
Intergovernmental	-	77,072	-	-	-	-	-	-	-	77,072
Interfund receivable	65,265	-	-	-	-	-	-	-	-	65,265
Due from other funds	1,179	-	-	-	-	-	-	-	-	1,179
Prepaid items	1,879	-	-	-	-	-	-	-	-	1,879
Inventory held for resale	-	-	-	-	9,488	-	-	-	-	9,488
Materials and supplies inventory	-	-	-	-	1,252	-	-	-	-	1,252
Fixed assets (Net, where applicable, of accumulated depreciation)	-	-	-	-	124,745	-	-	11,952,678	-	12,077,423
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	154,383	154,383
Amount to be provided from general government resources	-	-	-	-	-	-	-	-	1,921,830	1,921,830
Total Assets	\$ 3,828,080	389,445	285,525	92,712	218,253	194	168,689	11,952,678	2,076,213	19,011,789

See accompanying notes to the general purpose financial statements

SOUTH CENTRAL LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET
All Fund Types and Account Groups - continued
June 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
LIABILITIES										
Accounts payable	\$ 23,000	2,872	-	12	1,629	-	16,694	-	-	44,207
Accrued wages and benefits	329,171	20,322	-	-	13,141	-	-	-	-	362,634
Compensated absences payable	13,947	-	-	-	-	-	-	-	282,741	296,688
Pension obligation payable	74,445	2,638	-	-	11,750	-	-	-	41,484	130,317
Interfund payable	-	27,782	-	16,795	20,136	-	552	-	-	65,265
Due to other governments	18,241	1,407	-	-	784	-	11,838	-	-	32,270
Deferred revenue	1,059,094	38,629	131,113	-	7,354	-	-	-	-	1,236,190
Due to students	-	-	-	-	-	-	114,730	-	-	114,730
Due to other funds	-	-	-	-	-	-	1,179	-	-	1,179
Matured interest payable	-	-	29	-	-	-	-	-	-	29
General obligation bonds payable	-	-	-	-	-	-	-	-	1,751,988	1,751,988
Total Liabilities	\$ 1,517,898	93,650	131,142	16,807	54,794	-	144,993	-	2,076,213	4,035,497
Fund Equity and Other Credits										
Investment in general fixed assets	-	-	-	-	-	-	-	11,952,678	-	11,952,678
Contributed capital	-	-	-	-	52,389	-	-	-	-	52,389
Retained earnings:										
Unreserved	-	-	-	-	111,070	194	-	-	-	111,264
Fund balance:										
Reserved for encumbrances	\$ 264,717	41,838	-	19,724	-	-	3,472	-	-	329,751
Reserved for textbooks	255,187	-	-	-	-	-	-	-	-	255,187
Reserved for capital maintenance	163,499	-	-	-	-	-	-	-	-	163,499
Reserved for prepaid items	1,879	-	-	-	-	-	-	-	-	1,879
Reserved for property taxes	113,124	-	16,554	-	-	-	-	-	-	129,678
Reserved for debt service	-	-	137,829	-	-	-	-	-	-	137,829
Reserved for budget stabilization	153,510	-	-	-	-	-	-	-	-	153,510
Reserved for scholarships	-	-	-	-	-	-	6,353	-	-	6,353
Unreserved:										
Undesignated	1,358,266	253,957	-	56,181	-	-	13,871	-	-	1,682,275
Total Fund Equity and Other Credits	2,310,182	295,795	154,383	75,905	163,459	194	23,696	11,952,678	-	14,976,292
Total Liabilities and Fund Equity	\$ 3,828,080	389,445	285,525	92,712	218,253	194	168,689	11,952,678	2,076,213	19,011,789

See accompanying notes to the general purpose financial statements

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SOUTH CENTRAL LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 All Governmental Fund Types and Similar Trust Fund
 For the Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary	Total
	General	Special Revenue	Debt Service	Capital Projects	Trust Fund Expendable Trust	(Memorandum Only)
REVENUES:						
Taxes	\$ 1,824,454	19,424	136,038	-	-	1,979,916
Intergovernmental	3,441,494	545,804	70,846	83,116	500	4,141,760
Interest	151,221	4,813	7,554	1,673	983	166,244
Extracurricular activities	-	77,578	-	-	4,772	82,350
Classroom Materials and Fees	6,827	-	-	-	-	6,827
Donations	-	-	-	-	9,852	9,852
Miscellaneous	1,910	589	-	-	-	2,499
Total Revenues	5,425,906	648,208	214,438	84,789	16,107	6,389,448
EXPENDITURES:						
Instruction:						
Regular	2,472,937	236,575	-	2,514	6,785	2,718,811
Special	160,363	59,442	-	-	326	220,131
Vocational	173,482	885	-	-	378	174,745
Other	247,728	-	-	-	-	247,728
Support Services:						
Pupils	10,447	311	-	-	1,209	11,967
Instructional staff	133,983	14,103	-	-	9,644	157,730
Board of education	28,098	767	-	-	-	28,865
Administration	631,409	31,080	-	179	-	662,668
Fiscal	163,625	549	3,394	-	-	167,568
Operation and maintenance of plant	588,397	40,369	-	66,980	4,248	699,994
Pupil transportation	353,310	-	-	-	-	353,310
Central	7,314	4,750	-	-	-	12,064
Operation of non-instructional services	133,196	-	-	-	1,800	134,996
Extracurricular activities	-	52,762	-	-	-	52,762
Capital outlay	-	-	-	23,658	-	23,658
Debt Service:						
Principal retirement	17,027	-	120,000	-	-	137,027
Interest and fiscal charges	1,713	-	86,682	-	-	88,395
Total Expenditures	5,123,029	441,593	210,076	93,331	24,390	5,892,419
Excess of Revenues Over/(Under) Expenditures	302,877	206,615	4,362	(8,542)	(8,283)	497,029
Other Financing Sources/(Uses):						
Proceeds from Sale of Fixed Assets	2,115	-	-	-	-	2,115
Refund of prior year expenditures	25,810	255	-	-	-	26,065
Refund of prior year receipts	(438)	(407)	-	-	-	(845)
Total Other Financing Sources/(Uses)	27,487	(152)	-	-	-	27,335
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	330,364	206,463	4,362	(8,542)	(8,283)	524,364
Fund Balance/(Deficit) - July 1	1,979,818	89,332	150,021	84,447	25,519	2,329,137
Fund Balance/(Deficit) - June 30	\$ 2,310,182	295,795	154,383	75,905	17,236	2,853,501

See accompanying notes to the general purpose financial statements

SOUTH CENTRAL LOCAL SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budgetary Basis)
All Governmental Fund Types and Similar Trust Fund
For the Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES:						
Taxes	\$ 1,138,454	\$ 1,930,891	792,437	-	\$ 23,707	23,707
Earnings on investments	182,879	152,791	(30,088)	\$ 6,685	4,813	(1,872)
Extracurricular activities	-	-	-	110,783	77,899	(32,884)
Classroom materials and fees	6,469	6,954	485	-	-	-
Intergovernmental	4,173,849	3,441,494	(732,355)	453,048	489,099	36,051
Donations	-	-	-	-	-	-
Miscellaneous	1,111	1,906	795	413	423	10
Total Revenues	5,502,762	5,534,036	31,274	570,929	595,941	25,012
EXPENDITURES:						
Instruction:						
Regular	3,429,788	2,531,962	897,826	322,892	263,343	59,549
Special	248,496	168,434	80,062	61,490	60,479	1,011
Vocational Educating	203,028	171,940	31,088	800	885	(85)
Other Instruction	137,777	260,188	(122,411)	-	-	-
Support Services:						
Pupils	114,000	11,727	102,273	-	311	(311)
Instructional support	205,156	149,897	55,259	9,425	14,103	(4,678)
Board of education	54,805	29,088	25,717	957	767	190
Administration	921,482	637,697	283,785	71,273	36,959	34,314
Fiscal	239,385	203,090	36,295	3,577	549	3,028
Operation and maintenance of plant	969,554	689,196	280,358	44,491	43,369	1,122
Pupil transportation	484,011	409,874	74,137	-	-	-
Central	4,388	5,064	(676)	53,403	13,328	40,075
Operation of noninstructional services	-	-	-	-	-	-
Extracurricular activities	203,112	145,639	57,473	72,396	68,561	3,835
Capital outlay	-	-	-	-	-	-
Debt Service:						
Principal payments	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	7,214,982	5,413,796	1,801,186	640,704	502,654	138,050
Excess of Revenues Over/ (Under) Expenditures	(1,712,220)	120,240	1,832,460	(69,775)	93,287	163,062
Other Financing Sources/(Uses):						
Transfers out	(9,000)	-	9,000	-	-	-
Advance in	-	87,867	87,867	-	10,279	10,279
Advance out	(79,000)	(12,823)	66,177	(5,933)	(55,774)	(49,841)
Sale and loss of assets	2,111	2,104	(7)	-	-	-
Refund of prior year receipts	-	(438)	(438)	-	(407)	(407)
Refund of prior year expenditures	31,849	25,810	(6,039)	-	15	15
Total Other Financing Sources/(Uses)	(54,040)	102,520	156,560	(5,933)	(45,887)	(39,954)
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(1,766,260)	222,760	1,989,020	(75,708)	47,400	123,108
Fund Balance/(Deficit) July 1	1,656,647	1,656,647	-	137,537	137,537	-
Prior year encumbrances appropriated	157,817	157,817	-	58,064	58,064	-
Fund Balance/(Deficit) June 30	\$ 48,204	2,037,224	1,989,020	119,893	243,001	123,108

See accompanying notes to the general purpose financial statements

Debt Service Funds			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
\$ 186,505	\$ 147,751	(38,754)	-	-	-	-	-	-
5,689	7,553	1,864	\$ 3,898	\$ 1,673	(2,225)	\$ 473	\$ 983	510
-	-	-	-	-	-	2,345	4,798	2,453
-	-	-	-	-	-	-	-	-
46,481	70,846	24,365	164,373	83,116	(81,257)	244	500	256
-	-	-	-	-	-	3,544	9,852	6,308
-	-	-	-	-	-	-	-	-
<u>238,675</u>	<u>226,150</u>	<u>(12,525)</u>	<u>168,271</u>	<u>84,789</u>	<u>(83,482)</u>	<u>6,606</u>	<u>16,133</u>	<u>9,527</u>
-	-	-	3,621	2,803	818	5,978	7,815	(1,837)
-	-	-	-	-	-	-	326	(326)
-	-	-	-	-	-	-	378	(378)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,951	1,615	336
-	-	-	-	-	-	13,367	9,644	3,723
-	-	-	-	-	-	-	-	-
-	-	-	179	179	-	-	-	-
60,000	3,394	56,606	-	-	-	-	-	-
-	-	-	57,834	110,677	(52,843)	531	4,248	(3,717)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	7,261	3,800	3,461
-	-	-	-	-	-	-	-	-
-	-	-	23,578	23,658	(80)	-	-	-
120,000	120,000	-	-	-	-	-	-	-
<u>86,681</u>	<u>86,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>266,681</u>	<u>210,075</u>	<u>56,606</u>	<u>85,212</u>	<u>137,317</u>	<u>(52,105)</u>	<u>29,088</u>	<u>27,826</u>	<u>1,262</u>
(28,006)	16,075	44,081	83,059	(52,528)	(135,587)	(22,482)	(11,693)	10,789
-	-	-	-	-	-	-	-	-
-	-	-	-	1,991	1,991	-	552	552
-	-	-	(3,991)	(31,942)	(27,951)	(150)	(150)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,991)</u>	<u>(29,951)</u>	<u>(25,960)</u>	<u>(150)</u>	<u>402</u>	<u>552</u>
(28,006)	16,075	44,081	79,068	(82,479)	(161,547)	(22,632)	(11,291)	11,341
121,755	121,755	-	125,268	125,268	-	13,788	13,788	-
-	-	-	30,399	30,399	-	11,965	11,965	-
<u>93,749</u>	<u>137,830</u>	<u>44,081</u>	<u>234,735</u>	<u>73,188</u>	<u>(161,547)</u>	<u>3,121</u>	<u>14,462</u>	<u>11,341</u>

SOUTH CENTRAL LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)
 All Governmental Fund Types and Similar Trust Fund
 For the Year Ended June 30, 2001

	Total - (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<u>REVENUES:</u>			
Taxes	\$ 1,324,959	\$ 2,102,349	777,390
Earnings on investments	199,624	167,813	(31,811)
Extracurricular activities	113,128	82,697	(30,431)
Classroom materials and fees	6,469	6,954	485
Intergovernmental	4,837,995	4,085,055	(752,940)
Donations	3,544	9,852	6,308
Miscellaneous	1,524	2,329	805
Total Revenues	6,487,243	6,457,049	(30,194)
 <u>EXPENDITURES:</u>			
Instruction:			
Regular	3,762,279	2,805,923	956,356
Special	309,986	229,239	80,747
Vocational Educating	203,828	173,203	30,625
Other Instruction	137,777	260,188	(122,411)
Support Services:			
Pupils	115,951	13,653	102,298
Instructional support	227,948	173,644	54,304
Board of education	55,762	29,855	25,907
Administration	992,934	674,835	318,099
Fiscal	302,962	207,033	95,929
Operation and maintenance of plant	1,072,410	847,490	224,920
Pupil transportation	484,011	409,874	74,137
Central	57,791	18,392	39,399
Operation of noninstructional services	7,261	3,800	3,461
Extracurricular activities	275,508	214,200	61,308
Capital outlay	23,578	23,658	(80)
Debt Service:			
Principal payments	120,000	120,000	-
Interest and fiscal charges	86,681	86,681	-
Total Expenditures	8,236,667	6,291,668	1,944,999
Excess of Revenues Over/ (Under) Expenditures	(1,749,424)	165,381	1,914,805
 <u>Other Financing Sources/(Uses):</u>			
Transfers out	(9,000)	-	9,000
Advance in	-	100,689	100,689
Advance out	(89,074)	(100,689)	(11,615)
Sale and loss of assets	2,111	2,104	(7)
Refund of prior year receipts	-	(845)	(845)
Refund of prior year expenditures	31,849	25,825	(6,024)
Total Other Financing Sources/(Uses)	(64,114)	27,084	91,198
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(1,813,538)	192,465	2,006,003
Fund Balance/(Deficit) July 1	2,054,995	2,054,995	-
Prior year encumbrances appropriated	258,245	258,245	-
Fund Balance/(Deficit) June 30	\$ 499,702	2,505,705	2,006,003

See accompanying notes to the general purpose financial statements

SOUTH CENTRAL LOCAL SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN FUND EQUITY
All Proprietary Fund Types and Similar Trust Fund
For the Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Total
	Enterprise	Internal Service	Non-Expendable Trust	(Memorandum Only)
<u>Operating revenues:</u>				
Food services	\$ 173,470	-	-	173,470
Classroom Materials and Fees	10,147	-	-	10,147
Interest	-	-	368	368
Extracurricular Activities	-	192	-	192
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenues	183,617	192	368	184,177
<u>Operating expenses:</u>				
Salaries	91,207	-	-	91,207
Fringe benefits	56,959	-	-	56,959
Purchased services	4,878	-	-	4,878
Materials and supplies	48,878	192	-	49,070
Cost of Sales	90,391	-	-	90,391
Depreciation expense	17,987	-	-	17,987
Other expenses	578	2,600	550	3,728
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	310,878	2,792	550	314,220
Operating Income/(Loss)	(127,261)	(2,600)	(182)	(130,043)
<u>Nonoperating revenues/(expenses):</u>				
Federally donated commodities	22,862	-	-	22,862
Intergovernmental	100,913	-	-	100,913
Interest	2,490	-	-	2,490
Gain on the sale of fixed assets	410	-	-	410
Other non-operating revenues	295	2,440	-	2,735
	<hr/>	<hr/>	<hr/>	<hr/>
Total Nonoperating revenues/(expenses)	126,970	2,440	-	129,410
Net Income/(Loss)	(291)	(160)	(182)	(633)
Retained Earnings at Beginning of Year	102,630	354	6,642	109,626
Depreciation on Fixed Assets Acquired by Contributed Capital	8,731	-	-	8,731
	<hr/>	<hr/>	<hr/>	<hr/>
Retained Earnings at End of Year	111,070	194	6,460	117,724
Contributed Capital at Beginning of Year	61,120	-	-	61,120
Depreciation on Fixed Assets Acquired by Contributed Capital	(8,731)	-	-	(8,731)
Contributed Capital at End of Year	52,389	-	-	52,389
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity at End of Year	\$ 163,459	194	6,460	170,113

See accompanying notes to the general purpose financial statements

SOUTH CENTRAL LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF CHANGES IN CASH FLOWS
All Proprietary Fund Types and Similar Trust Fund
For the Year Ended June 30, 2001

	Proprietary Fund Types		Fudiciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Non- Expendable Trust	
Increase (Decrease) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 183,654	192	-	\$ 183,846
Cash Received from Interest Income (Nonexpendable Trust Fund Only)	-	-	368	368
Cash Payments to Suppliers for Goods and Services	(119,242)	(192)	-	(119,434)
Cash Payments to Employees for Services	(116,032)	-	-	(116,032)
Cash Payments for Employees Benefits	(36,978)	-	-	(36,978)
Cash Payments for Miscellaneous	(578)	(2,600)	(550)	(3,728)
Net Cash Provided By (Used for) Operating Activities	<u>(89,176)</u>	<u>(2,600)</u>	<u>(182)</u>	<u>(91,958)</u>
Cash Flows from Non-Capital Financial Activities:				
Operating Grants Received	109,250	-	-	109,250
Other Non-operating Revenue	295	2,440	-	2,735
Net Cash Provided by (Used by) Non-Capital Financing Activities	<u>109,545</u>	<u>2,440</u>	<u>-</u>	<u>111,985</u>
Cash Flows from Investing Activities:				
Interest on Investments	2,490	-	-	2,490
Net Cash Provided by (Used by) Investing Activities	<u>2,490</u>	<u>-</u>	<u>-</u>	<u>2,490</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Sale of Fixed Assets	410	-	-	410
Net Cash Provided by (Used by) Capital and Related Financing Activities	<u>410</u>	<u>-</u>	<u>-</u>	<u>410</u>
Net Increase (Decrease) in Cash and Cash Equivalents	23,269	(160)	(182)	22,927
Cash and Cash Equivalents at Beginning of Year	59,369	354	6,642	66,365
Cash and Cash Equivalents at End of Year	<u>\$ 82,638</u>	<u>194</u>	<u>6,460</u>	<u>\$ 90,112</u>
Reconciliation of Operating Income (Loss) to				
Net Cash Provided by (Used by) Operating Activities:				
Operating Income (Loss)	\$ (127,261)	(2,600)	(182)	\$ (130,043)
Adjustments to Reconcile Operating Income (Loss) to				
Net Cash Provided by (Used by) Operating Activities:				
Depreciation	17,987	-	-	17,987
Donated Commodities Used During Year	22,862	-	-	22,862
(Increase)/Decrease in Assets:				
Accounts Receivable	37	-	-	37
Prepaid Items	793	-	-	793
Due from Other Governments	8,337	-	-	8,337
Inventory Held for Resale	(9,488)	-	-	(9,488)
Materials and Supplies Inventory	8,219	-	-	8,219
Increase/(Decrease) in Liabilities:				
Accounts Payable	1,629	-	-	1,629
Accrued Wages and Benefits	(257)	-	-	(257)
Compensated Absences Payable	(4,739)	-	-	(4,739)
Pension Obligation Payable	11,750	-	-	11,750
Deferred Revenue	890	-	-	890
Due to Other Governments	(19,935)	-	-	(19,935)
Net Cash Provided By (Used for) Operating Activities	<u>\$ (89,176)</u>	<u>(2,600)</u>	<u>(182)</u>	<u>\$ (91,958)</u>

See accompanying notes to the general purpose financial statements

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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

Average daily membership (ADM) as of October 1, 2000, was 891. The District employed 4 administrative and supervisory personnel, 64 certificated employees and 40 non-certificated employees. Local School Districts are supervised by the County Board of Education, a separate entity.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. REPORTING ENTITY

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

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

For the fiscal year 2001, the School District does not have any component units.

The District is associated with a jointly governed organization and an insurance pool. Information about these organizations is represented in Note 14 & 16 to the financial statements.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION-FUND ACCOUNTING

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

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

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

Governmental Fund Types:

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

Revenue – Exchange and Non-exchange Transactions:

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION-FUND ACCOUNTING (continued)

Expenditures:

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurements focus of governmental fund is on decreases in financial resources. Principals and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund type:

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

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

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

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

Proprietary Fund Types:

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

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

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION-FUND ACCOUNTING (continued)

Fiduciary Fund Types:

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

Account Groups:

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

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

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

C. MEASUREMENT FOCUS AND/BASIS OF ACCOUNTING

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

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

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue accrued at the end of the fiscal year included delinquent property taxes, interest, tuition, and state and federal grants. Property taxes measurable as of June 30, 2001 and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long term debt which is recorded when due.

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS

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

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

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

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

Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

Estimated Resources:

Prior to March 15, the Board of Education accepts by formal resolution, the tax rates as determined by the budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amount set forth in the final Amended Certificate.

Appropriations:

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

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriation.

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the board during fiscal 2000-01.

Lapsing of Appropriations:

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

Encumbrances:

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

Budgetary Basis of Accounting:

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Services</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budget Basis	\$222,760	\$47,400	\$16,075	\$(82,479)	\$(11,291)
Adjustments:					
Revenue Accruals	(314,275)	165,573	(7,904)	(21,419)	7,834
Expenditure Accruals	145,875	(49,146)	(3,809)	75,632	(8,732)
Encumbrances	276,004	42,636	-	19,724	3,906
GAAP Basis	<u>\$330,364</u>	<u>\$206,463</u>	<u>\$4,362</u>	<u>\$(8,542)</u>	<u>\$(8,283)</u>

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS

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

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 management 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 at which the investment could be sold June 30, 2001.

Under existing Ohio statutes, all investments earnings accrue to the general fund except those specifically related to Agency Funds, the food service fund, certain trust funds and those funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest income earned in fiscal 2001 for all funds (excluding Agency fund operations) totaled \$169,102.

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

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

F. INVENTORY (MATERIALS AND SUPPLIES)

Inventories are valued at lower of cost (first-in, first-out) or market and are determined by physical count. The proprietary fund inventories are recorded as expenses when used. Inventory in governmental funds consists of expendable supplies which are recorded as an expenditure when individual inventory items are purchased. The governmental fund inventories are offset by a fund balance reserve which indicated they do not constitute "available expendable resources" and are not available for appropriations. The District did not have any significant governmental fund inventories for the fiscal year ended June 30, 2001.

G. PREPAID ITEMS

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. FIXED ASSETS AND DEPRECIATION

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

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

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during fiscal year 2001.

I. INTERGOVERNMENTAL REVENUES

In governmental funds, entitlement and non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned.

J. INTERFUND TRANSACTIONS

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

1. Routine transfers of resources from one fund to another fund through which transactions resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District has no long term advances as of June 30, 2001.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. COMPENSATED ABSENCES

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

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

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

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

Sick Leave:

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

Service Retirement:

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

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. LONG-TERM OBLIGATIONS

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

M. FUND EQUITY

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

N. PROPRIETARY FUND ACCOUNTING POLICIES

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

O. MEMORANDUM ONLY-TOTAL COLUMNS

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

P. RESTRICTED ASSETS

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 2001, the School District had \$153,510 in the set-aside budget stabilization reserve.

Q. ESTIMATES

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$(70,556) and the bank balance was \$185,123. Of the bank balance,

1. \$100,000 was covered by federal depository insurance or surety bonds; and
2. \$85,123 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to successful claim by the FDIC.

The District's depository sweeps the balance of the general checking account into an overnight account to maximize investment earnings. The carrying amount is negative by the amount of outstanding checks at the time the account was swept into the overnight accounts.

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

	Reported Amount	Fair Value
STAR Ohio – Not Categorized	\$3,151,209	\$3,151,209

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

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

	Cash and Cash Equivalents/Deposits	Investment
GASB Statement 9	\$3,080,653	-
Reclassification: STAR Ohio	(3,151,209)	\$3,151,209
GASB Statement 3	\$(70,556)	\$3,151,209

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

NOTE 4 – PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2001 were based are as follows:

	2000	1999
Real Property -		
Residential/Agricultural	\$ 45,668,670	\$ 35,477,670
Commercial/Industrial	3,140,150	2,543,750
Public Utilities	186,570	230,720
Tangible Property -		
General	3,451,280	3,261,310
Public Utilities	5,998,930	6,697,150
Total Valuation	\$ 58,445,600	\$ 48,210,600

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 4 – PROPERTY TAXES – (continued)

In 2001, real property taxes were levied in January 1, 2000, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in January, 1996. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25% of true value (as defined). In 2001, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2001, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due June 20th. The County Auditor remits portions of the taxes collected to all taxing Districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which become measurable at June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001 was \$113,124 and is recognized as revenue in the General Fund, and \$16,554 in the Debt Service Fund.

NOTE 5 – LOCAL INCOME TAX

This locally levied tax of 1.25 percent applies to the adjusted gross salaries, wages and other personal service compensation earned by residents of the District. This tax began January 1, 1991. The purpose of the tax is for current expenses of the District. The tax is collected by the Ohio Department of Taxation which then makes quarterly distributions to the District. Tax distribution to the District during its 2001 fiscal year amounted to \$751,202.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes and income taxes, accounts, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Special Revenue Funds:

Title IV B	\$ 13,705
Title I	\$ 34,740
Title IV	\$ 3,627
Performance Incentive Grant	<u>\$ 25,000</u>
Total Special Revenue Funds	<u>\$ 77,072</u>

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 7 – FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance on 6/30/00	Additions	Deletions	Balance on 6/30/01
Land	\$ 56,434	-	-	\$ 56,434
Land Improvements	471,500	-	-	471,500
Buildings	8,389,017	-	-	8,389,017
Furniture and Equipment	1,940,937	\$ 77,949	\$ 37,033	1,981,853
Vehicles	1,024,809	226,294	197,229	1,053,874
Total General Fixed Assets	\$ 11,882,697	\$ 304,243	\$ 234,262	\$ 11,952,678

A summary of the Proprietary Funds' fixed assets at June 30, 2001 follows:

	Enterprise Funds
Machinery and Equipment	\$ 252,360
Less Accumulated Depreciation	(127,615)
Net Fixed Assets	\$ 124,745

NOTE 8 – LONG TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
General Obligation Energy Conservation Bonds: Interest Rate 5.50% Matures 12/01/03	\$ 142,000	-	\$ (45,000)	\$ 97,000
Classroom Facilities Improvement Bonds: Interest Rate 3.60-5.60% Matures 12/01/18	1,729,988	-	(75,000)	1,654,988
Total Long-Term Bonds	1,871,988	-	120,000	1,751,988
Capital Lease	17,027	-	(17,027)	-
Pension Obligation	65,511	\$ 41,484	(65,511)	41,484
Compensated Absences	240,194	42,547	-	282,741
Total General Long Term Obligations	\$ 2,194,720	\$ 84,031	\$ (202,538)	\$ 2,076,213

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 8 – LONG TERM OBLIGATIONS – (continued)

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

The School District's overall legal debt margin was \$5,160,104 with an unvoted debt margin of \$58,446 at June 30, 2000.

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

<u>Fiscal Year</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 127,000	\$ 80,568	\$ 207,568
2003	135,000	73,964	208,964
2004	90,000	68,415	158,415
2005	95,000	64,020	159,020
2006	100,000	59,290	159,290
2007-2011	189,988	654,202	844,190
2012-2016	675,000	195,300	870,300
2017-2018	340,000	19,230	359,320
Totals	\$ <u>1,751,988</u>	\$ <u>1,215,078</u>	\$ <u>2,967,066</u>

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 9 – SEGMENT INFORMATION

Enterprise Funds - The District maintains Enterprise Funds to account for the operations of Food Service, Uniform School Supplies, and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2001.

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 173,470	\$ 10,147	\$ -	\$ 183,617
Operating Expenses less				
Depreciation	280,500	12,391	-	292,891
Depreciation Expense	17,987	-	-	17,987
Operating Income (Loss)	(125,017)	(2,244)	-	(127,261)
Federally Donated Commodities	22,862	-	-	22,862
Other Non-operating Revenues	101,535	83	-	101,618
Interest Income	2,473	-	17	2,490
Net Income (Loss)	1,853	(2,161)	17	(291)
Net Working Capital	61,487	(9,943)	311	51,855
Total Assets	207,124	10,818	311	218,253
Total Equity	173,091	(9,943)	311	163,459
Encumbrances Outstanding at June 30, 2000	5,294	7,349	-	12,643

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The South Central Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the South Central Local School District is required to contribute an actuarially determined rate of 14%. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ending June 30, 2001, 2000, 1999 were \$123,176, \$108,042, and \$104,562, respectively; 41.1 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$72,533 represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (Continued)

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3% of their annual covered salary and the South Central Local School District is required to contribute 14%. 4.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 2001, 2000, and 1999 were \$345,704, \$357,330, and \$321,127 respectively, 83.3 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$57,784 represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

NOTE 11 – POST EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions were 8.0 percent of covered payroll to the 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, and after, will be 4.5% of covered payroll. For the School District, this amount equaled \$111,119 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. For the year ended June 30, 2000 (the latest information available) net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 11 – POST EMPLOYMENT BENEFITS – (continued)

For this fiscal year, employer contributions to fund health care benefits were 8.75 percent of covered payroll for the fiscal year 2000 (the latest information available). In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 – RISK MANAGEMENT

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

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

During fiscal year 2001, the District purchased from Nationwide Insurance Company general liability insurance, which carried a \$1 million per occurrence/\$5 million annual aggregate limit with an additional \$1 million umbrella coverage.

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

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years. Also, the District has not significantly reduced coverage in the past year.

OSBA Worker's Compensation Group Rating

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

Health Benefits

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 12 – RISK MANAGEMENT – (Continued)

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

NOTE 13 – CONTINGENT LIABILITIES

A. GRANTS:

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

B. LITIGATION:

Currently, the school district is involved in a civil rights matter. Due to the case being in the discovery state, it is uncertain if the case will have an impact on the school district's financial status.

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

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

NOTE 15 - SCHOOL FUNDING DECISION

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

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 15 - SCHOOL FUNDING DECISION – (continued)

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 2, 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 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 School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

NOTE 16 – SET-ASIDE REQUIREMENTS

The School District is required by the State statute to annually set aside monies in the General Fund for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. The District was required to set aside additional monies for textbooks and other instructional materials. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the some purposes in future years. Although no longer required by state statute, a budget stabilization reserve may still be set-aside at the discretion of the District.

During the fiscal year ended June 30, 2001, the reserve activity was as follows:

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 16 – SET-ASIDE REQUIREMENTS – (Continued)

	<u>Textbooks</u>	<u>Capital Improvement</u>	<u>Budget Reserve</u>	<u>Total</u>
Set-aside balance as of June 30, 2000	\$ 149,890	\$ 18,305	\$ 113,354	\$ 281,549
Current year set-aside requirement	\$ 160,627	\$ 160,627	40,156	\$ 361,410
Qualifying expenditures	\$ <u>(55,330)</u>	\$ <u>(15,433)</u>	<u>-</u>	\$ <u>(70,763)</u>
Totals	\$ <u>255,187</u>	\$ <u>163,499</u>	\$ <u>153,510</u>	\$ <u>572,196</u>
Cash balance carried forward to FY 2002	\$ <u>255,187</u>	\$ <u>163,499</u>	\$ <u>153,510</u>	\$ <u>572,196</u>
Amount restricted for budget stabilization				\$ <u>153,510</u>
Total restricted assets				\$ <u>572,196</u>

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year ending June 30, 2001, the School District has adopted the new accounting provision GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The College has also adopted the new provision GASB 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. The implementation of GASB 33 and 36 had no effect on fund balance as it was previously reported as of June 30, 2000.

NOTE 18 – COMPLIANCE AND ACCOUNTABILITY

Expenditures Exceeding Appropriations

Section 5705.41 (D), Revised Code, requires that encumbrances be charged against proper appropriations. Section 5705.41 (B), Revised Code, prohibits the District from making any appropriation unless it has been properly appropriated. The following fund/functions were found to have expenditures plus encumbrances exceeding total appropriations.

- General Fund
 - Other Instruction
 - Central Support Services
 - Refund of Prior Year Receipts

South Central Local School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 18 – COMPLIANCE AND ACCOUNTABILITY – (continued)

Special Revenue Funds

- DPIA fund
 - Regular Instruction
- Title IV B fund
 - Special Instruction
- Title I fund
 - Regular Instruction
- Title IV fund
 - Instructional Support
- Drug Free Schools fund
 - Regular Instruction
 - Pupil Support
 - Instructional Support
- Telecom E Rate fund
 - Regular Instruction
 - Vocational Education
- Improving Academic Achievement fund
 - Regular Instruction
- Refund of Prior Year Receipts

Capital Project Funds

- Building Construction fund
 - Operation and Maintenance-Plant
 - Capital Outlay
- School Net fund
 - Operation and Maintenance-Plant
- Technology Equity fund
 - Operation and Maintenance-Plant
 - Regular Instruction

Expendable Trust Fund

- Special Trust
 - Regular Instruction
 - Special Instruction
 - Vocational Education
 - Operation and Maintenance of Plant

SOUTH CENTRAL LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For The Year Ended June 30, 2001

Federal Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts Recognized	Program Expenditures
<u><i>U.S. Department of Education</i></u>				
<i>Passed through the Ohio Department of Education:</i>				
Title I - Educationally Deprived Children	047738-C1-S1-00	84.010	50,215	50,384
	047738-C1-S1-01	84.010	<u>116,292</u>	<u>111,641</u>
Total Title I			166,507	162,025
Title VI B - Education of all Handicapped	047738-6B-SF-00	84.027	16,636	17,122
	047738-6B-SF-01	84.027	<u>52,590</u>	<u>51,766</u>
Total Title VI B			69,226	68,888
Safe and Drug-Free Schools and Communities	047738-DR-S1-99	84.186	-	1,492
	047738-DR-S1-00	84.186	2,714	1,894
	047738-DR-S1-01	84.186	<u>3,706</u>	<u>1,478</u>
Total Safe and Drug-Free Schools			6,420	4,864
Eisenhower Professional Development	047738-MS-S1-01	84.281	<u>4,854</u>	<u>3,268</u>
Total Eisenhower Professional Development			4,854	3,268
Title VI - Innovative Education Program	047738-C2-S1-99	84.298	-	891
	047738-C2-S1-00	84.298	3,140	4,485
	047738-C2-S1-01	84.298	<u>796</u>	<u>-</u>
Total Title VI - Innovative Education			3,936	5,376
Performance Incentive Grant	047738-G2-S1-99	84.276	-	5,397
	047738-G2-S1-00	84.276	-	21,510
	047738-G2-S1-01	84.276	10,108	7,991
	047738-G2-S2-00	84.276	14,000	4,782
	047738-G2-S2-01	84.276	<u>13,000</u>	<u>-</u>
Total Performance Incentive Grant			37,108	39,680
Class Size Reduction	047738-CR-S1-00	84.340	17,581	17,581
	047738-CR-S1-01	84.340	<u>28,123</u>	<u>28,123</u>
Total Class Size Reduction			45,704	45,704
Total U. S. Department of Education			333,755	329,805
<u><i>U.S. Department of Labor</i></u>				
<i>Passed through Ohio Department of Education:</i>				
School-to-Work	047738-WK-BE-97	17.249	<u>12,500</u>	<u>762</u>
Total U.S. Department of Labor			12,500	762
<u><i>U.S. Department of Agriculture</i></u>				
<i>Passed through Ohio Department of Education:</i>				
Nutrition Cluster:				
Federal Donated Commodities	N/A	10.550	22,862	22,554
National School Lunch Program	047738-04-PU-01	10.555	<u>103,815</u>	<u>103,815</u>
Total Nutrition Cluster			126,677	126,369
Total U.S. Department of Agriculture			<u>126,677</u>	<u>126,369</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE PROGRAMS			<u><u>472,932</u></u>	<u><u>456,936</u></u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

South Central Local School District
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2001

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than the obligation is incurred. See note 2 to the financial statements.

2. Food Distribution

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had food commodities in inventory recorded in the Enterprise Fund.

3. Matching Requirements

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

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

Board of Education
South Central Local School District
Greenwich, Ohio

We have audited the general purpose financial statements of the South Central Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated December 28, 2001 wherein we noted the District adopted Governmental Accounting Standards Board Statements Nos. 33 and 36 for the year ended June 30, 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 general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated December 28, 2001.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated December 28, 2001.

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

Charles E. Harris & Associates, Inc.
December 28, 2001

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Certified Public Accountants

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

Board of Education
South Central Local School District
Greenwich, Ohio

Compliance

We have audited the compliance of the South Central Local School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2001. During the fiscal year ended June 30, 2001 the District adopted Governmental Accounting Standards Board Statements Nos. 33 and 36. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

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

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

Charles E. Harris & Associates, Inc.
December 28, 2001

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

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY
June 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Nutrition Cluster: Federal Commodities CFDA #10.550 National School Lunch CFDA #10.555 Title I CFDA #84.010
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

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

SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY
June 30, 2001

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2000, did not include material citations or recommendations.



STATE OF OHIO
OFFICE OF THE AUDITOR

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SOUTH CENTRAL LOCAL SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARU 21, 2002**