



**Auditor of State
Betty Montgomery**

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education

We have audited the accompanying general-purpose financial statements of North Central Local School District, Williams County, (the District) as of and for the year ended June 20, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of North Central Local School District, Williams County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Betty Montgomery
Auditor of State

January 14, 2004

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**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2003

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,233,993	\$77,779	\$610,703	\$1,279
Receivables:				
Taxes	1,988,447		355,172	
Accounts	16,359	158		
Intergovernmental		13,062		
Interfund Receivable	19,800			
Materials and Supplies Inventory	1,351			
Prepaid Items	22,221			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	52,928			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund for				
Retirement of Long-Term Obligations				
Amount to be Provided From General				
Government Resources				
Total Assets and Other Debits	<u><u>\$3,335,099</u></u>	<u><u>\$90,999</u></u>	<u><u>\$965,875</u></u>	<u><u>\$1,279</u></u>

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$19,139	\$81,620			\$2,024,513
				2,343,619
147				16,664
				13,062
4,690				19,800
				6,041
				22,221
				52,928
81,343 (47,295)		\$7,544,449		7,625,792 (47,295)
			\$610,703	610,703
			2,460,821	2,460,821
<u>\$58,024</u>	<u>\$81,620</u>	<u>\$7,544,449</u>	<u>\$3,071,524</u>	<u>\$15,148,869</u>

(Continued)

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2003
(Continued)

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$22,143	\$854		
Accrued Wages and Benefits	498,674	19,031		
Compensated Absences Payable	8,286			
Interfund Payable				
Intergovernmental Payable	72,828	3,106		
Deferred Revenue	1,857,247	13,062	\$342,052	
Undistributed Monies				
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>2,459,178</u>	<u>36,053</u>	<u>342,052</u>	
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	59,771	17,372		\$1,200
Reserved for Inventory	1,351			
Reserved for Prepaid Items	22,221			
Reserved for Debt Service Principal			610,703	
Reserved for Property Taxes	131,200		13,120	
Reserved for Textbooks and Instructional Materials	44,300			
Reserved for Budget Stabilization	8,628			
Unreserved, Undesignated	<u>608,450</u>	<u>37,574</u>		<u>\$79</u>
Total Fund Equity and Other Credits	<u>875,921</u>	<u>54,946</u>	<u>623,823</u>	<u>1,279</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,335,099</u>	<u>\$90,999</u>	<u>\$965,875</u>	<u>\$1,279</u>

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

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$625				\$23,622
17,189				534,894
8,711			\$423,799	440,796
19,800				19,800
7,175			37,725	120,834
				2,212,361
	\$12,171			12,171
	40,286			40,286
			2,610,000	2,610,000
<u>53,500</u>	<u>52,457</u>		<u>3,071,524</u>	<u>6,014,764</u>
		\$7,544,449		7,544,449
4,524				4,524
	7,001			85,344
				1,351
				22,221
				610,703
				144,320
				44,300
				8,628
	22,162			668,265
<u>4,524</u>	<u>29,163</u>	<u>7,544,449</u>		<u>9,134,105</u>
<u>\$58,024</u>	<u>\$81,620</u>	<u>\$7,544,449</u>	<u>\$3,071,524</u>	<u>\$15,148,869</u>

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$2,495,127	\$237,025
Interest	17,386	156
Tuition and Fees	4,862	
Rent	534	
Extracurricular Activities		43,603
Gifts and Donations	561,649	
Property and Other Local Taxes	2,031,715	
Miscellaneous	14,794	3,030
Total Revenues	<u>5,126,067</u>	<u>283,814</u>
Expenditures:		
Instruction:		
Regular	2,365,323	63,537
Special	392,469	132,426
Vocational	113,086	
Other	202,675	
Support services:		
Pupils	153,246	3,446
Instructional Staff	212,526	24,147
Board of Education	14,350	
Administration	412,062	3,546
Fiscal	186,024	798
Operation and Maintenance of Plant	400,855	
Pupil Transportation	393,496	
Central	222,067	12,000
Non-Instructional Services	4,316	
Extracurricular activities	105,935	40,594
Debt Service:		
Principal		
Interest		
Total Expenditures	<u>5,178,430</u>	<u>280,494</u>
Excess of Revenues Over (Under) Expenditures	<u>(52,363)</u>	<u>3,320</u>
Other Financing Sources (Uses)		
Refund of Prior Year Expenditures	29,330	
Refund of Prior Year Receipts	(500)	
Total Other Financing Sources (Uses)	<u>28,830</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	(23,533)	3,320
Fund Balance at Beginning of Year	<u>899,454</u>	<u>51,626</u>
Fund Balance at End of Year	<u>\$875,921</u>	<u>\$54,946</u>

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$38,251			\$2,770,403
8,122		\$666	26,330
			4,862
			534
			43,603
		1,436	563,085
365,379			2,397,094
			17,824
<u>411,752</u>		<u>2,102</u>	<u>5,823,735</u>
	\$6,187		2,435,047
			524,895
			113,086
			202,675
			156,692
			236,673
			14,350
			415,608
8,722			195,544
			400,855
			393,496
			234,067
		3,500	7,816
			146,529
110,000			110,000
166,988			166,988
<u>285,710</u>	<u>6,187</u>	<u>3,500</u>	<u>5,754,321</u>
<u>126,042</u>	<u>(6,187)</u>	<u>(1,398)</u>	<u>69,414</u>
			29,330
			(500)
			28,830
126,042	(6,187)	(1,398)	98,244
497,781	7,466	30,561	1,486,888
<u>\$623,823</u>	<u>\$1,279</u>	<u>\$29,163</u>	<u>\$1,585,132</u>

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$2,368,666	\$2,495,127	\$126,461
Interest	8,892	17,386	8,494
Tuition and Fees	3,961	4,912	951
Rent	297	663	366
Extracurricular Activities			
Gifts and Donations	591,799	561,649	(30,150)
Property and Other Local Taxes	2,146,912	2,015,868	(131,044)
Miscellaneous	1,782	8,479	6,697
Total Revenues	5,122,309	5,104,084	(18,225)
Expenditures:			
Current:			
Instruction:			
Regular	2,603,280	2,490,194	113,086
Special	397,892	394,736	3,156
Vocational	118,177	113,456	4,721
Other	207,976	207,976	
Support services:			
Pupils	161,201	154,349	6,852
Instructional Staff	222,132	214,952	7,180
Board of Education	21,591	20,135	1,456
Administration	432,375	419,220	13,155
Fiscal	172,748	163,366	9,382
Operation and Maintenance of Plant	482,301	442,844	39,457
Pupil Transportation	394,271	393,208	1,063
Central	331,673	221,409	110,264
Non-Instructional Services	8,773	8,339	434
Extracurricular activities	117,567	105,903	11,664
Debt Service:			
Principal			
Interest			
Total Expenditures	5,671,957	5,350,087	321,870
Excess of Revenues Over (Under) Expenditures	(549,648)	(246,003)	303,645
Other Financing Sources (Uses)			
Refund of Prior Year Expenditures	9,946	29,330	19,384
Refund of Prior Year Receipts	(500)	(500)	
Total Other Financing Sources (Uses)	9,446	28,830	19,384
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	(540,202)	(217,173)	323,029
Fund Balance at Beginning of Year	1,267,846	1,267,846	
Prior Year Encumbrances Appropriated	154,760	154,760	
Fund Balance at End of Year	\$882,404	\$1,205,433	\$323,029

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$245,858	\$237,025	(\$8,833)	\$37,482	\$38,251	\$769
53	156	103	7,891	8,122	231
33,114	43,445	10,331			
2,380	3,094	714	358,432	363,632	5,200
<u>281,405</u>	<u>283,720</u>	<u>2,315</u>	<u>403,805</u>	<u>410,005</u>	<u>6,200</u>
83,198	72,169	11,029			
159,802	129,516	30,286			
3,452	3,446	6			
30,549	28,109	2,440			
3,572	3,569	3			
798	798		9,100	8,722	378
12,109	12,000	109			
50,543	49,746	797			
			110,000	110,000	
			166,988	166,988	
<u>344,023</u>	<u>299,353</u>	<u>44,670</u>	<u>286,088</u>	<u>285,710</u>	<u>378</u>
<u>(62,618)</u>	<u>(15,633)</u>	<u>46,985</u>	<u>117,717</u>	<u>124,295</u>	<u>6,578</u>
(62,618)	(15,633)	46,985	117,717	124,295	6,578
50,296	50,296		486,408	486,408	
25,558	25,558				
<u>\$13,236</u>	<u>\$60,221</u>	<u>\$46,985</u>	<u>\$604,125</u>	<u>\$610,703</u>	<u>\$6,578</u>

(Continued)

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental			
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues			
Expenditures:			
Current:			
Instruction:			
Regular	\$6,245	\$6,187	\$58
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff	1,200	1,200	
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Debt Service:			
Principal			
Interest			
Total Expenditures	7,445	7,387	58
Excess of Revenues Over (Under) Expenditures	(7,445)	(7,387)	58
Other Financing Sources (Uses)			
Refund of Prior Year Expenditures			
Refund of Prior Year Receipts			
Total Other Financing Sources (Uses)			
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	(7,445)	(7,387)	58
Fund Balance at Beginning of Year	7,466	7,466	
Prior Year Encumbrances Appropriated			
Fund Balance at End of Year	\$21	\$79	\$58

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

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$800	\$666	(\$134)	\$2,652,006	\$2,770,403	\$118,397
			17,636	26,330	8,694
			3,961	4,912	951
			297	663	366
			33,114	43,445	10,331
1,255	1,436	181	593,054	563,085	(29,969)
			2,505,344	2,379,500	(125,844)
			4,162	11,573	7,411
2,055	2,102	47	5,809,574	5,799,911	(9,663)
			2,692,723	2,568,550	124,173
			557,694	524,252	33,442
			118,177	113,456	4,721
			207,976	207,976	
			164,653	157,795	6,858
			253,881	244,261	9,620
			21,591	20,135	1,456
			435,947	422,789	13,158
			182,646	172,886	9,760
			482,301	442,844	39,457
			394,271	393,208	1,063
10,501	10,501		343,782	233,409	110,373
			19,274	18,840	434
			168,110	155,649	12,461
			110,000	110,000	
			166,988	166,988	
10,501	10,501		6,320,014	5,953,038	366,976
(8,446)	(8,399)	47	(510,440)	(153,127)	357,313
			9,946	29,330	19,384
			(500)	(500)	
			9,446	28,830	19,384
(8,446)	(8,399)	47	(500,994)	(124,297)	376,697
30,561	30,561		1,842,577	1,842,577	
			180,318	180,318	
\$22,115	\$22,162	\$47	\$1,521,901	\$1,898,598	\$376,697

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2003

	Enterprise
Operating Revenues:	
Sales	\$163,603
Total Operating Revenues	163,603
Operating Expenses:	
Salaries	76,386
Fringe Benefits	41,524
Purchased Services	12,144
Materials and Supplies	108,986
Depreciation	2,289
Total Operating Expenses	241,329
Operating Loss	(77,726)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	21,516
Interest	186
Federal and State Subsidies	46,248
Loss on Sale of Fixed Assets	(1,054)
Total Non-Operating Revenues and Expenses	66,896
Net Loss	(10,830)
Retained Earnings at Beginning of Year	15,354
Retained Earnings at End of Year	\$4,524

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2003

	Enterprise
Decrease in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Sales	\$163,932
Cash Payments to Suppliers for Goods and Services	(89,571)
Cash Payments for Contract Services	(12,144)
Cash Payments for Employee Services	(76,074)
Cash Payments for Employee Benefits	(39,016)
Net Cash Used by Operating Activities	(52,873)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	46,248
Net Cash Provided by Noncapital Financing Activities	46,248
Cash Flows from Investing Activities:	
Interest Received	186
Net Cash Provided by Investing Activities	186
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(1,353)
Net Cash Used by Capital and Related Financing Activities	(1,353)
Net Decrease in Cash and Cash Equivalents	(7,792)
Cash and Cash Equivalents at Beginning of Year	26,931
Cash and Cash Equivalents at End of Year	\$19,139

(Continued)

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)

	Enterprise
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	(\$77,726)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	2,289
Donated Commodities Used During the Year	21,516
Adjustments to Capital Outlay	100
(Increase) Decrease in Assets:	
Accounts Receivable	329
Material and Supplies Inventory	(870)
Increase (Decrease) in Liabilities:	
Accounts Payable	368
Compensated Absences Payable	(681)
Intergovernmental Payable	868
Deferred Revenue	(1,699)
Accrued Wages and Benefits	2,633
Total Adjustments	24,853
Net Cash Used by Operating Activities	(\$52,873)

The Food Service fund consumed donated commodities with a value of \$21,516. Use of these commodities are reflected as an operating expense.

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Reporting Entity

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

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

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, Northwest Ohio Educational Research Council, Inc., and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

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

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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

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

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

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

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

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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

B. Fund Accounting

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

1. GOVERNMENTAL FUNDS

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

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

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

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

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

2. PROPRIETARY FUNDS

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

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

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3. FIDUCIARY FUNDS

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

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

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

4. ACCOUNT GROUPS

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

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

C. Budgetary Accounting

Budgets are adopted on a cash basis.

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

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function, object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
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5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function, object level without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

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

An analysis of the difference between GAAP and budgetary basis for all governmental fund types and expendable trust fund for the year ended June 30, 2003 follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget basis	(\$217,173)	(\$15,633)	\$124,295	(\$7,387)	(\$8,399)
Adjustments for:					
Revenue accruals	21,983	94	1,747		
Expenditure accruals	90,169	1,302			
Encumbrances	81,488	17,557		1,200	7,001
GAAP Basis	(\$23,533)	\$3,320	\$126,042	(\$6,187)	(\$1,398)

D. Encumbrances

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
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E. Pooled Cash and Investments

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

During fiscal year 2003, investments were limited to nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the District has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General, Special Revenue, Debt Service, Expendable Trust and Enterprise Funds during fiscal year 2003 amounted to \$17,386, \$156, \$8,122, \$666, and \$186, respectively.

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

F. Estimates

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

G. Inventory

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

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H. Property, Plant, and Equipment

1. GENERAL FIXED ASSETS ACCOUNT GROUP

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

2. PROPRIETARY FUNDS

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

I. Intergovernmental Revenues

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

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems
ONenet Ohio Program
Professional Development Block Grant
Ohio Reads Grant
Extended Learning Opportunity
School Reading Improvement
School Conflict Management Project
Safe School Help Line
Eisenhower Grant
Title VI-B

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Title I
Title VI
Drug Free School Grant
Continuous Improvement Grant
Title VI-R
Title II-A
Title II-D

Capital Projects Funds
SchoolNet Plus
IVDL

Reimbursable Grants

Enterprise Fund
National School Lunch Program
Government Donated Commodities

J. Interfund Transactions

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

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

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the District for the purchase of textbooks and the Bureau of Workers' Compensation portion of the budget stabilization reserve. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

L. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for

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textbooks and instructional materials and the Bureau of Workers' Compensation portion of the budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

M. Compensated Absences

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

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

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

N. Long-Term Obligations

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

O. Total Columns on Financial Statements

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

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

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

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Cash on Hand

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

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

Deposits

At year-end, the carrying amount of the District's deposits was \$345,204 and the bank balance was \$381,343. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$281,343 was collateralized by securities specifically pledged by the financial institution in the name of the District.

Investments

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

The \$1,732,197 carrying value in the State Treasurer's Investment Pool (Star Ohio) approximated the fair value at June 30, 2003. Amounts in Star Ohio cannot be categorized for credit risk because no securities exist in physical or book entry form in the name of the District.

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

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

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	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$2,077,441	
Cash on Hand	(40)	
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(1,732,197)	\$1,732,197
GASB Statement 3	\$345,204	\$1,732,197

4. PROPERTY TAXES

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

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

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

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

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

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

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

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

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

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

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Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2003. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2003. The amount available as an advance at June 30, 2003 was \$144,320, \$131,200 was available to the General Fund and \$13,120 was available to the Debt Service Fund.

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

	Amount
Residential/Agricultural	\$52,949,840
Commercial/Industrial	8,518,870
Public Utility Personal and Real Property	2,663,920
General Personal Property	11,734,660
Total valuation	\$75,867,290

5. FIXED ASSETS

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

Asset Category	Balance at 07/01/02	Additions	Disposals	Balance at 06/30/03
Land and improvements	\$706,438		\$5,000	\$701,438
Buildings and improvements	4,505,137	\$146,392		4,651,529
Furniture and equipment	1,103,789	57,698	84,424	1,077,063
Vehicles	402,479	52,480		454,959
Textbooks and library books	650,038	9,422		659,460
Total	\$7,367,881	\$265,992	\$89,424	\$7,544,449

A summary of Enterprise Fund fixed assets at June 30, 2003 follows:

Asset Category	Balance at 06/30/03
Furniture, fixtures, and equipment	\$81,343
Less: accumulated depreciation	(47,295)
Totals	\$34,048

6. LONG-TERM OBLIGATIONS

During the year ended June 30, 2003, the following changes occurred in obligations reported in the general long term obligations account group:

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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	Balance at 07/01/02	Additions	Deductions	Balance at 06/30/03
General obligation serial bonds	\$360,000		\$110,000	\$250,000
General obligation term bonds	2,360,000			2,360,000
Pension obligation	33,890	\$3,835		37,725
Compensated absences	423,100	699		423,799
Total	\$3,176,990	\$4,534	\$110,000	\$3,071,524

Debt outstanding at June 30, 2003 consisted of General Obligation Bonds totaling \$2,610,000 (interest rate was 6.5 % at June 30, 2003). The bonds were issued in October 1992 and consist of both serial and term bonds.

The serial bonds will mature in December 2004. The term bonds are subject to mandatory redemption and are to be redeemed pursuant to mandatory sinking fund requirements, at a redemption price of 100 percent of the principal amount redeemed plus interest accrued to the redemption date, on December 1 in the principal amounts and in the years specified as follows:

Principal Payment Date	Principal Amount
December 1, 2005	\$ 140,000
December 1, 2006	155,000
December 1, 2007	165,000
December 1, 2008	180,000
December 1, 2009	195,000
December 1, 2010	210,000
December 1, 2011	225,000
December 1, 2012	245,000
December 1, 2013	260,000
December 1, 2014	280,000

On or after December 1, 2002, the Bonds maturing on or after December 1, 2003, shall be subject to optional redemption by and at the sole option of the Board, in whole on any date or in part on any Interest Payment Date, in integral multiples of \$5,000 at the redemption prices equal to the following percentages of the principal amount redeemed plus, in each case, accrued interest to the redemption date:

Redemption Date (Dates Inclusive)	Redemption Prices
December 1, 2002 through November 30, 2003	101%
December 1, 2003 and thereafter	100%

Total expenditures for interest for the above debt for the period ended June 30, 2003 was \$166,988.

The scheduled payments of principal and interest on the general obligation bonds as of June 30, 2003 are as follows:

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For the Years Ending June 30,	Principal	Interest	Total
2004	\$120,000	\$160,630	\$280,630
2005	130,000	153,565	283,565
2006	140,000	145,415	285,415
2007	155,000	136,049	291,049
2008	165,000	125,889	290,889
thereafter	1,900,000	529,272	2,429,272
Total	<u>\$2,610,000</u>	<u>\$1,250,820</u>	<u>\$3,860,820</u>

7. RECEIVABLES

Receivables, at June 30, 2003, consisted of taxes, accounts, intergovernmental, and interfund. All receivables are considered collectable in full due to the ability to foreclosure for the non-payment of taxes, stable condition of State programs, and the current year guarantee of federal funds.

8. COMPENSATED ABSENCES

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

At June 30, 2003 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$8,286 and \$423,799, respectively. The liability for compensated absences in the proprietary funds at June 30, 2003 was \$8,711.

9. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. Contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

ended June 30, 2003, 2002, and 2001 were \$40,221, \$38,275, and \$63,957, respectively; 56 percent has been contributed for fiscal year 2003 and 100 percent of the required contributions for fiscal years 2002 and 2001. \$17,531 representing unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds and the general long-term obligations account.

B. State Teachers Retirement System

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2003 were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$259,239, \$239,176, and \$248,212, respectively; 84 percent has been contributed for fiscal year 2003 and 100 percent of the required contributions for fiscal years 2002 and 2001. \$42,415 representing unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds.

10. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Stabilization Fund. Effective July 1, 2002, 1 percent of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002.

For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000. There were 105,300 eligible benefit recipients.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate is 8.54 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$335.2 million.

The number of participants currently receiving health care benefits is approximately 50,000.

For the District, the amount to fund health care benefits, including surcharge, equaled \$50,775 during the 2003 fiscal year.

11. RISK MANAGEMENT

A. Comprehensive

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool (Note 15) consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 15). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

12. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains three Enterprise Funds, which provide lunchroom/cafeteria, uniform school supply services, and NC Good Stuff. Segment information for the year ended June 30, 2003 was as follows:

	Food Service	Uniform School Supply	NC Good Stuff	Total Enterprise Funds
Operating revenues	\$136,685	\$26,918		\$163,603
Depreciation	2,289			2,289
Operating Income (Loss)	(77,960)	234		(77,726)
Donated Commodities	21,516			21,516
Interest	77	109		186
Grants	46,248			46,248
Loss on Sale of Asset	(1,054)			(1,054)
Net Income (Loss)	(11,173)	343		(10,830)
Net working capital	(42,714)	13,171	\$19	(29,524)
Total assets	44,834	13,171	19	58,024
Total liabilities	53,500			53,500
Total equity	(8,666)	13,171	19	4,524

13. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2003 consist of the following individual fund receivables and payables:

	Loans Receivable	Loans Payable
General Fund	\$19,800	
Enterprise		\$19,800
Total All Funds	\$19,800	\$19,800

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. All payments made by the District for services received are made to the Northern Buckeye Education Council. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$21,548. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

C. Four County Career Center

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

D. Northwestern Ohio Educational Research Council, Inc.

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

15. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to Northern Buckeye Education Council for insurance benefits were \$540,230. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During fiscal year 2003 the District paid an enrollment fee of \$577 to the WCGRP to cover the costs of administering the program.

16. AGENCY FUNDS

General-Purpose Statement of Changes in Assets and Liabilities			
	Balance at 06/30/02	Change	Balance at 06/30/03
Assets	\$53,879	(\$1,422)	\$52,457
Liabilities	\$53,879	(\$1,422)	\$52,457

17. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2003, only the unspent portion of certain workers' compensation refunds is required to be set-aside at year end.

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	
Set-aside Cash Balance as of June 30, 2002	\$34,829		\$8,628	
Current Year Set-aside Requirement	93,876	\$93,876		
Set-aside for Budget Reserve				
Qualifying Disbursements	<u>(84,405)</u>	<u>(106,109)</u>		
Total	<u>\$44,300</u>	<u>(\$12,233)</u>	<u>\$8,628</u>	
Cash Balance Carried Forward to FY 2004	<u>\$44,300</u>		<u>\$8,628</u>	
Amount restricted for Textbooks				\$44,300
Amount restricted for Budget Stabilization				<u>8,628</u>
Total Restricted Assets				<u>\$52,928</u>

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

18. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

19. CONTINGENT LIABILITIES

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

19. COMPLIANCE

Contrary to Ohio Revised Code § 5705.41 (D), purchase orders were not always properly certified. In addition, contrary to Ohio Revised Code § 5705.41 (B), expenditures exceeded appropriations at the legal level of budgetary control for certain transactions.

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Education

We have audited the financial statements of North Central Local School District, Williams County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 14, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 14, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 14, 2004

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

SCHEDULE OF FINDINGS
JUNE 30, 2003

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Ohio Revised Code § 5705.41 (D) states no subdivision shall make any contract or order any expenditure of money unless a certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This section provides two exceptions to the above requirements:

- a. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of the warrant. The taxing authority has 30 days from the receipt of such a certificate to approved payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing authority.
- b. Amounts of less than \$1,000 (\$3,000 effective April 7, 2003) for political divisions may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Twenty percent of the transactions tested were not certified at the time the commitment was incurred. These commitments were not subsequently approved as “then and now certificates” by the Board within the aforementioned 30 day time period.

We recommend the Treasurer certify that amount required to meet a commitment and that it has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing an order. In instances where prior certification is not practical, we recommend issuance of a “then and now” certificate.

FINDING NUMBER 2003-002

Ohio Revised Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Twenty seven percent (27%) of the transactions tested during the year had expenditures exceed appropriations at the legal level of budgetary control. Expenditures exceeding appropriations could lead to deficit spending. We recommend management monitor budgetary performance closely throughout the year and appropriately address the situation described above before expenditures exceed appropriations.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-10186-001	Ohio Revised Code § 5705.41(B) Expenditures exceeding appropriations	No	Partially corrected. Reissued as finding number 2003-002.
2002-10186-002	Reportable Condition - Budgeted Receipts	No	Partially corrected. Reissued as a management letter comment.



**Auditor of State
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NORTH CENTRAL LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2004**