



**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO  
AUDITOR OF STATE**

STATE OF OHIO



**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

South Central Local School District  
Huron County  
3305 Greenwich Angling Road  
Greenwich, Ohio 44837-9443

To the Board of Education:

We have audited the accompanying general-purpose financial statements of South Central Local School District, Huron County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

We were unable to obtain sufficient evidential matter supporting amounts reported as fixed assets in the General Fixed Assets Account Group and in the Enterprise Fund Type.

In our opinion, except for the effects of such adjustments to the General Fixed Assets Account Group and to the Enterprise Fund, if any, as might have been determined to be necessary had we been able to examine evidence regarding the fixed assets, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the South Central Local School District, Huron County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 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 performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for 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 has 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.

**Jim Petro**  
Auditor of State

January 26, 2001

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**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$1,532,912	\$195,608	\$121,754	\$155,466
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	1,422,069	24,121	190,448	
Accounts	345	432		
Intergovernmental		67,880		
Accrued interest	2,749			
Interfund loan receivable	140,310			
Prepayments	40,403	2,467		
Materials and supplies inventory				
Restricted assets:				
Equity in pooled cash and cash equivalents	281,549			
With Fiscal Agents			28	
Property, plant and equipment (net of accumulated of accumulated depreciation where depreciation where applicable)				
<b>Other Debits:</b>				
Amount available in Debt Service Fund for retirement of General Obligation Bonds				
Amount to be provided from General Government Resources				
<b>Total assets and other debits</b>	<b><u>\$3,420,337</u></b>	<b><u>\$290,508</u></b>	<b><u>\$312,230</u></b>	<b><u>\$155,466</u></b>



Proprietary Fund Type		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$59,369	\$354	\$114,346			\$2,179,809
					1,636,638
167		1,308			2,252
8,337					76,217
					2,749
					140,310
793					43,663
9,471					9,471
					281,549
					28
142,732			\$11,882,697		12,025,429
				\$150,021	150,021
				2,044,699	2,044,699
<b>\$220,869</b>	<b>\$354</b>	<b>\$115,654</b>	<b>\$11,882,697</b>	<b>\$2,194,720</b>	<b>\$18,592,835</b>

(Continued)

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000  
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$46,608	\$20,247		\$24,273
Accrued wages and benefits	347,357	23,402		
Compensated absences payable	7,984			
Interfund loan payable		73,277		46,746
Intergovernmental payable	78,224	4,483		
Deferred revenue	960,346	79,767	\$162,181	
Pension Obligation Payable				
Due to others				
Matured interest payable			28	
Capital leases payable				
General obligation bonds payable				
Total liabilities	<u>1,440,519</u>	<u>201,176</u>	<u>162,209</u>	<u>71,019</u>
<b>Equity and Other Credits:</b>				
Investment in general fixed assets				
Contributed capital				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	111,209	37,817		30,399
Reserved for textbooks	149,890			
Reserved for Capital Maintenance	18,305			
Reserved for prepayments	40,404	2,467		
Reserved for debt service			150,021	
Reserved for tax revenue unavailable for appropriation	203,175			
Reserved for budget stabilization	113,354			
Reserved for trust				
Unreserved-undesignated	1,343,481	49,048		54,048
Total equity and other credits	<u>1,979,818</u>	<u>89,332</u>	<u>150,021</u>	<u>84,447</u>
<b>Total liabilities, equity and other credits</b>	<b><u>\$3,420,337</u></b>	<b><u>\$290,508</u></b>	<b><u>\$312,230</u></b>	<b><u>\$155,466</u></b>

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

Proprietary Fund Type		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
		\$613			\$91,741
\$13,398					384,157
4,739				\$240,194	252,917
20,136		151			140,310
12,382					95,089
6,464					1,208,758
				65,511	65,511
		82,729			82,729
					28
				17,027	17,027
				1,871,988	1,871,988
57,119		83,493		2,194,720	4,210,255
			\$11,882,697		11,882,697
61,120					61,120
102,630					102,630
		11,965			191,390
					149,890
					18,305
					42,871
					150,021
					203,175
					113,354
		6,353			6,353
	\$354	13,843			1,460,774
163,750	354	32,161	11,882,697		14,382,580
<b>\$220,869</b>	<b>\$354</b>	<b>\$115,654</b>	<b>\$11,882,697</b>	<b>\$2,194,720</b>	<b>\$18,592,835</b>

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
From local sources:		
Taxes	\$1,949,172	\$26,132
Tuition	18	
Earnings on investments	129,290	4,716
Extracurricular activities		75,121
Classroom Materials and Fees	12,874	
Intergovernmental	3,158,909	354,491
Miscellaneous	210	879
Total revenue	<u>5,250,473</u>	<u>461,339</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	2,430,569	293,059
Special	220,500	51,755
Vocational	159,650	671
Other	32,895	
Support services:		
Pupil	15,517	
Instructional staff	142,149	5,026
Board of Education	45,273	767
Administration	652,098	28,041
Fiscal	182,905	519
Operations and maintenance	530,489	27,374
Pupil transportation	468,019	
Central	18,668	
Operation of Non-Instructional Services		1,200
Extracurricular activities	131,201	51,139
Capital Outlay		
Debt service:		
Principal retirement	15,942	
Interest and fiscal charges	2,798	
Total expenditures	<u>5,048,673</u>	<u>459,551</u>
Excess of revenues over (under) expenditures	<u>201,800</u>	<u>1,788</u>
<b>Other financing sources (uses):</b>		
Operating transfers in		1,215
Operating transfers out	(1,215)	
Refund of prior year expenditures	10,395	
Refund of prior year receipts		(16,155)
Proceeds from sale of assets	1,268	
Total other financing sources (uses)	<u>10,448</u>	<u>(14,940)</u>
Excess of expenditures and other financing uses over revenues and other financing sources	212,248	(13,152)
Fund balance July 1	1,767,570	102,484
<b>Fund balance, June 30</b>	<b><u>\$1,979,818</u></b>	<b><u>\$89,332</u></b>

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

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$153,358			\$2,128,662
			18
6,497	\$6,014	\$1,315	147,832
		136	75,257
			12,874
68,169	14,879		3,596,448
		8,797	9,886
<u>228,024</u>	<u>20,893</u>	<u>10,248</u>	<u>5,970,977</u>
	17,559	416	2,741,603
			272,255
		118	160,439
			32,895
			15,517
		220	147,395
			46,040
			680,139
3,498			186,922
	60,055	1,034	618,952
			468,019
			18,668
		3,800	5,000
			182,340
	112,490		112,490
127,942			143,884
76,396			79,194
<u>207,836</u>	<u>190,104</u>	<u>5,588</u>	<u>5,911,752</u>
<u>20,188</u>	<u>(169,211)</u>	<u>4,660</u>	<u>59,225</u>
			1,215
			(1,215)
			10,395
			(16,155)
			1,268
			(4,492)
20,188	(169,211)	4,660	54,733
129,833	253,658	20,859	2,274,404
<u>\$150,021</u>	<u>\$84,447</u>	<u>\$25,519</u>	<u>\$2,329,137</u>

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30,2000**

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
From local sources:			
Taxes	\$1,839,848	\$1,839,850	\$2
Earnings on investments	127,303	127,306	3
Extracurricular activities			
Classroom Materials and Fees	12,871	12,874	3
Intergovernmental	3,158,906	3,158,909	3
Miscellaneous	297	197	(100)
Total revenues	<u>5,139,225</u>	<u>5,139,136</u>	<u>(89)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,792,126	2,318,424	473,702
Special	351,132	210,041	141,091
Vocational	173,352	159,709	13,643
Other	58,000	37,769	20,231
Support services:			
Pupil	140,875	22,200	118,675
Instructional staff	153,727	135,079	18,648
Board of Education	48,959	45,317	3,642
Administration	717,706	667,172	50,534
Fiscal	218,299	181,261	37,038
Operations and maintenance	928,277	612,591	315,686
Pupil transportation	529,514	451,052	78,462
Central	4,237	4,237	
Operation of Non-Instructional Services			
Extracurricular activities	161,496	130,639	30,857
Capital outlay			
Debt service			
Total expenditures	<u>6,277,700</u>	<u>4,975,491</u>	<u>1,302,209</u>
Excess of revenues over (under) expenditures	<u>(1,138,475)</u>	<u>163,645</u>	<u>1,302,120</u>
<b>Other financing sources (uses):</b>			
Refund of prior year's expenditures	10,395	10,395	
Refund of prior year's (receipts)			
Operating transfers in			
Operating transfers (out)	(78,581)	(1,215)	77,366
Advances in	48,010	48,011	1
Advances (out)	(100,000)	(92,904)	7,096
Proceeds of sale of fixed assets	1,267	1,268	1
Total other financing sources (uses)	<u>(118,909)</u>	<u>(34,445)</u>	<u>84,464</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(1,257,384)</u>	<u>129,200</u>	<u>1,386,584</u>
Fund balance, July 1	1,302,345	1,302,345	
Prior year encumbrances appropriated	225,102	225,102	
<b>Fund balance, June 30</b>	<b><u>\$270,063</u></b>	<b><u>\$1,656,647</u></b>	<b><u>\$1,386,584</u></b>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$21,847	\$21,849	\$2	\$147,490	\$147,491	\$1
4,709	4,716	7	6,496	6,497	1
75,078	75,082	4			
346,535	346,540	5	68,167	68,169	2
879	879				
449,048	449,066	18	222,153	222,157	4
350,484	314,650	35,834			
48,311	48,311				
671	671				
8,567	8,567				
862	767	95			
66,677	28,269	38,408			
1,886	519	1,367	60,000	3,498	56,502
45,615	33,405	12,210			
1,200	1,200				
71,251	63,719	7,532			
			259,004	204,337	54,667
595,524	500,078	95,446	319,004	207,835	111,169
(146,476)	(51,012)	95,464	(96,851)	14,322	111,173
(16,155)	(16,155)				
1,214	1,215	1			
68,781	68,782	1			
(9,180)	(48,011)	(38,831)			
44,660	5,831	(38,829)	0	0	0
(101,816)	(45,181)	56,635	(96,851)	14,322	111,173
143,570	143,570		107,433	107,433	
39,148	39,148				
<b>\$80,902</b>	<b>\$137,537</b>	<b>\$56,635</b>	<b>\$10,582</b>	<b>\$121,755</b>	<b>\$111,173</b>

(continued)

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30,2000**

	<b>Capital Projects</b>		
	<b>Budget Revised</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
From local sources:			
Taxes			
Earnings on investments	\$6,013	\$6,014	\$1
Extracurricular activities			
Classroom Materials and Fees			
Intergovernmental	14,879	14,879	
Miscellaneous			
Total revenues	<u>20,892</u>	<u>20,893</u>	<u>1</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	20,134	17,995	2,139
Special			
Vocational			
Other			
Support services:			
Pupil			
Instructional staff			
Board of Education			
Administration			
Fiscal			
Operations and maintenance	75,835	62,046	13,789
Pupil transportation			
Central			
Operation of Non-Instructional Services			
Extracurricular activities			
Capital outlay	184,160	116,188	67,972
Debt service			
Total expenditures	<u>280,129</u>	<u>196,229</u>	<u>83,900</u>
Excess of revenues over (under) expenditures	<u>(259,237)</u>	<u>(175,336)</u>	<u>83,901</u>
<b>Other financing sources (uses):</b>			
Refund of prior year's expenditures			
Refund of prior year's (receipts)			
Operating transfers in			
Operating transfers (out)			
Advances in	23,972	23,972	
Advances (out)			
Proceeds of sale of fixed assets			
Total other financing sources (uses)	<u>23,972</u>	<u>23,972</u>	<u>0</u>
Excess of revenues and other sources over (under) expenditures and other uses	(235,265)	(151,364)	83,901
Fund balance, July 1	276,632	276,632	
Prior year encumbrances appropriated			
<b>Fund balance, June 30</b>	<b><u>\$41,367</u></b>	<b><u>\$125,268</u></b>	<b><u>\$83,901</u></b>

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



Expendable Trust Funds			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$2,009,185	\$2,009,190	\$5
\$2,810	\$1,315	(\$1,495)	147,331	145,848	(1,483)
133	134	1	75,211	75,216	5
			12,871	12,874	3
			3,588,487	3,588,497	10
7,296	8,797	1,501	8,472	9,873	1,401
10,239	10,246	7	5,841,557	5,841,498	(59)
6,539	3,656	2,883	3,169,283	2,654,725	514,558
			399,443	258,352	141,091
165	118	47	174,188	160,498	13,690
			58,000	37,769	20,231
873	84	789	141,748	22,284	119,464
12,936	8,673	4,263	175,230	152,319	22,911
			49,821	46,084	3,737
			784,383	695,441	88,942
			280,185	185,278	94,907
1,321	1,221	100	1,051,048	709,263	341,785
			529,514	451,052	78,462
			4,237	4,237	
6,965	3,800	3,165	8,165	5,000	3,165
			232,747	194,358	38,389
			184,160	116,188	67,972
			259,004	204,337	54,667
28,799	17,552	11,247	7,501,156	5,897,185	1,603,971
(18,560)	(7,306)	11,254	(1,659,599)	(55,687)	1,603,912
			10,395	10,395	
			(16,155)	(16,155)	
			1,214	1,215	1
			(78,581)	(1,215)	77,366
150	150		140,913	140,915	2
			(109,180)	(140,915)	(31,735)
			1,267	1,268	1
150	150	0	(50,127)	(4,492)	45,635
(18,410)	(7,156)	11,254	(1,709,726)	(60,179)	1,649,547
20,835	20,835		1,850,815	1,850,815	
109	109		264,359	264,359	
<b>\$2,534</b>	<b>\$13,788</b>	<b>\$11,254</b>	<b>\$405,448</b>	<b>\$2,054,995</b>	<b>\$1,649,547</b>

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND EQUITY  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Operating revenues:</b>				
Classroom Materials & Fees	\$14,137			\$14,137
Extracurricular Activities		\$277		277
Food Services	165,478			165,478
Interest			\$364	364
Other Operating Revenues	526	1,500		2,026
Total operating revenues	<u>180,141</u>	<u>1,777</u>	<u>364</u>	<u>182,282</u>
<b>Operating expenses:</b>				
Salaries	87,847			87,847
Fringe Benefits	18,330			18,330
Purchased Services	928			928
Materials and supplies	18,069	157		18,226
Cost of Sales	108,339			108,339
Depreciation	17,987			17,987
Other		1,500	275	1,775
Total operating expenses	<u>251,500</u>	<u>1,657</u>	<u>275</u>	<u>253,432</u>
Operating income (loss)	<u>(71,359)</u>	<u>120</u>	<u>89</u>	<u>(71,150)</u>
<b>Nonoperating revenues:</b>				
Operating grants	90,951			90,951
Investment earnings	1,509			1,509
Refund of Prior Year Expense	869	200	200	1,269
Proceeds from the Sale of Fixed Assets	1,291			1,291
Federal commodities	16,588			16,588
Total nonoperating revenues	<u>111,208</u>	<u>200</u>	<u>200</u>	<u>111,608</u>
Net income (loss)	<u>39,849</u>	<u>320</u>	<u>289</u>	<u>40,458</u>
Depreciation on Fixed Assets Acquired by Contributed Capital	8,731			8,731
Retained earnings/fund balance July 1	54,050	34	6,353	60,437
Retained earnings/fund balance June 30	102,630	354	6,642	109,626
Contributed Capital at Beginning of Year	69,851			69,851
Depreciation on Fixed Assets Acquired by Contributed Capital	(8,731)			(8,731)
Contributed Capital at End of Year	61,120			61,120
<b>Total Fund Equity at End of Year</b>	<b><u>\$163,750</u></b>	<b><u>\$354</u></b>	<b><u>\$6,642</u></b>	<b><u>\$170,746</u></b>

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

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30,2000**

	Enterprise			Internal Service		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Sales	\$165,456	\$165,463	\$7			
Earnings on Investments						
Extracurricular Activities				\$276	\$277	\$1
Classroom Material and Fees	14,133	14,137	4			
Total revenues	179,589	179,600	11	276	277	1
<b>Expenses:</b>						
Salaries	104,519	98,722	5,797			
Employees' Retirement and Insurance	31,712	26,661	5,051	277		277
Purchased Services	2,152	1,617	535	234	157	77
Materials and Supplies	120,530	120,289	241			
Capital Outlay	80,747	80,585	162			
Other				1,500	1,500	
Total expenses	339,660	327,874	11,786	2,011	1,657	354
Excess of revenues over (under) expenses	(160,071)	(148,274)	11,797	(1,735)	(1,380)	355
<b>Non-Operating Revenues:</b>						
Intergovernmental Revenue	90,193	90,193				
Earnings on Investments	1,507	1,509	2			
Refund of Prior Year's Expenses	868	869	1	200	200	
Miscellaneous revenue	1,815	1,817	2	1,500	1,500	
Total other financing sources (uses)	94,383	94,388	5	1,700	1,700	
Excess of revenues and non-operating revenues over (under) expenses	(65,688)	(53,886)	11,802	(35)	320	355
Fund Equity, July 1	90,293	12,069		34	34	
Prior year encumbrances appropriated	90,293	90,293				
<b>Fund Equity, June 30</b>	<b>\$114,898</b>	<b>\$48,476</b>	<b>\$11,802</b>	<b>(\$1)</b>	<b>\$354</b>	<b>\$355</b>

(continued)

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30,2000  
(Continued)**

	Nonexpendable Trust Funds			Total (Memorandum only)		
	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Sales				\$165,456	\$165,463	\$7
Earnings on Investments	\$362	\$364	\$2	362	364	2
Extracurricular Activities				276	277	1
Classroom Material and Fees				14,133	14,137	4
Total revenues	362	364	2	180,227	180,241	14
<b>Expenses:</b>						
Salaries				104,519	98,722	5,797
Employees' Retirement and Insurance				31,989	26,661	5,328
Purchased Services				2,386	1,774	612
Materials and Supplies	251		251	120,781	120,289	492
Capital Outlay				80,747	80,585	162
Other	361	275	86	1,861	1,775	86
Total expenses	612	275	337	342,283	329,806	12,477
Excess of revenues over (under) expenses	(250)	89	339	(162,056)	(149,565)	12,491
<b>Non-Operating Revenues:</b>						
Intergovernmental Revenue				90,193	90,193	
Earnings on Investments				1,507	1,509	2
Refund of Prior Year's Expenses	200	200		1,268	1,269	1
Miscellaneous revenue				3,315	3,317	2
Total other financing sources (uses)	200	200		96,283	96,288	5
Excess of revenues and non-operating revenues over (under) expenses	(50)	289	339	(65,773)	(53,277)	12,496
Fund Equity, July 1	6,353	6,353		96,680	18,456	
Prior year encumbrances appropriated				90,293	90,293	
<b>Fund Equity, June 30</b>	<b>\$6,303</b>	<b>\$6,642</b>	<b>\$339</b>	<b>\$121,200</b>	<b>\$55,472</b>	<b>\$12,496</b>

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

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Cash flows from operating activities:</b>				
Cash received from tuition and fees	\$14,663			\$14,663
Cash received from food services	165,463			165,463
Cash received from other operating activities		\$1,777		1,777
Cash received from interest on investments			\$364	364
Cash payments to employees for services	(98,722)			(98,722)
Cash payments for employee benefits	(26,561)			(26,561)
Cash payments for goods and services	(111,931)	(1,657)	(275)	(113,863)
Net cash used by operating activities	(57,088)	120	89	(56,879)
<b>Cash flows from noncapital financing activities:</b>				
Cash received from operating grants	90,193			90,193
Refund of Prior Year Revenue / Expense	869	200	200	1,269
Net cash provided by noncapital financing activities	91,062	200	200	91,462
<b>Cash flows from capital and related financing activities:</b>				
Proceeds from the sale of capital assets	1,291			1,291
Payments for capital acquisitions	(80,585)			(80,585)
Net cash provided (used) by capital and related financing activities	(79,294)			(79,294)
<b>Cash flows from investing activities:</b>				
Cash received from interest on cash equivalents	1,509			1,509
Net increase in cash and cash equivalents	(43,811)	320	289	(43,202)
Cash and cash equivalents at beginning of year	103,180	34	6,353	109,567
<b>Cash and cash equivalents at end of year</b>	<b>\$59,369</b>	<b>\$354</b>	<b>\$6,642</b>	<b>\$66,365</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>				
Operating income (loss)	(\$71,359)	\$120	\$89	(\$71,150)
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>				
Depreciation	17,987			17,987
Federal donated commodities	16,588			16,588
Changes in assets and liabilities:				
Decrease in supplies inventory	(802)			(802)
Decrease in accounts receivable	(15)			(15)
Decrease in prepayments	(689)			(689)
Decrease in accrued wages and benefits	(9,979)			(9,979)
Decrease in compensated absences payable	(8,765)			(8,765)
Decrease in intergovernmental payable	(362)			(362)
Increase in deferred revenue	308			308
<b>Net cash used in operating activities</b>	<b>(\$57,088)</b>	<b>\$120</b>	<b>\$89</b>	<b>(\$56,879)</b>
<b>Reconciliation of Trust and Agency Cash and Cash Equivalents</b>				
Expendable Trusts				\$25,644
Agency Funds				82,060
Non Expendable Trusts				6,642
<b>Total Trust and Agency Cash and Cash Equivalents</b>				<b>\$114,346</b>

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

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**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the South Central Local School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Description of the Entity**

South 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. 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 (five members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1999, was 883. The District employed 4 administrative and supervisory personnel, 64 certificated employees and 42 non-certificated employees. Local School Districts are supervised by the County Board of Education, a separate entity.

The 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 nonprogrammed services.

This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The financial statements of the reporting entity allow the users to distinguish between the primary government and its component units. Most component units are included in the financial reporting

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

entity by discrete presentation (one or more columns separate from the financial data of the primary government). Some component units are so intertwined with the primary government that they are reported in a manner similar to the balances and transactions of the primary government itself (this method is known as blending). The District has no component units.

Management believes the financial statements included in this report represent all of the funds of the District over which the South Central Local School District is financially accountable for.

The District is associated with a jointly governed organization and an insurance pool. Information about these organizations is presented in Notes 15 and 19 to the financial statements.

**B. Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities and functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

***GOVERNMENTAL FUNDS***

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's Governmental Fund Types:

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

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

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

***Capital Projects Fund*** - The Capital Projects Fund is 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 and Trust Funds).

***PROPRIETARY FUNDS***

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:



**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**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 costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are 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 of the District, or to other governments.

***FIDUCIARY FUNDS***

Fiduciary Funds are used to account for 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 include Expendable Trusts, Nonexpendable Trusts and Agency 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 the Proprietary 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 the Proprietary Funds.

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are 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 financial uses) in net current assets.

All proprietary funds and nonexpendable trust 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 is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is thirty days after the June 30 year-end. Revenues accrued at the end of the year include

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current and delinquent property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

Proprietary funds and nonexpendable trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities 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 revenues.

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object code function level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

**Tax Budget:**

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**Estimated Resources:**

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the district by March 1. As part of this certification, the District receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during the year.

**Appropriations:**

A temporary appropriation resolution to control expenditures may be passed on or about July 1 of each year for the period of July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, function level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among objects functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts including all amendments and modifications.

**Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures.

**Lapsing of Appropriations:**

As the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**E. Equity in Pooled Cash and Investments**

To improve cash management, all 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.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

During fiscal year 2000, investments were limited to STAR Ohio deposits.

Except for nonparticipating investment contracts, Investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as money market funds and 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 1999. 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, 2000.

Following Ohio statues, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$129,290, which includes \$22,999 assigned from other funds.

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.

**Restricted Assets:**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, textbook reserve, and a capital maintenance reserve. These reserves are required by state statute. The budget stabilization reserve can be used only after receiving approval from the Ohio Department of Education. During fiscal year 2000, the District determined that \$281,549 be set aside for these reserves. A fund balance reserve has also been established.

**F. Interfund Receivables/Payables**

During the course of operations, short term loans occurred between individual funds as advances until grant monies were received. These receivables and payables are classified as "interfund receivables" or "interfund payables" on the balance sheet.

**G. Inventories**

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 consists of expendable supplies for resale. The costs of inventory items are recognized as expenditures in governmental fund types when purchased and expenses in the proprietary fund types when used.

**H. Prepaid Items**

Prepayments and deferrals 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 benefitting from the advance payment. At period-end, because prepayment and deferrals are not

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**I. Fixed Assets**

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

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment in the proprietary fund type is computed using the straight-line method.

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 2000.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

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 employees age fifty (50) or greater with at least ten (10) 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

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

severance liability for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**K. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following fiscal 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 debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**L. Fund Equity**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from other funds. Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, textbooks, capital maintenance, debt service, prepaids, tax revenue unavailable for appropriation, nonexpendable trust corpus, and budget stabilization. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

Designated fund balances represent tentative plans for future use of financial resources.

**M. Intergovernmental Revenues**

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) 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. The District currently participates in various state and federal programs categorized as follows:

***ENTITLEMENTS***

**General Fund**

State Foundation Program  
State Property Tax Relief

**Debt Service Fund**

State Property Tax Relief

***NON-REIMBURSABLE GRANTS***

**Special Revenue Funds**

Conflict Management Grant  
Management Information Systems  
Title VI-B  
Title I

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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Title VI  
Drug Free Schools

**Capital Project Funds**

School Net  
Tech Equity

**REIMBURSABLE GRANTS**

**Proprietary Funds**

National School Lunch Program  
Government Donated Commodities

**N. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**O. Statement of Cash Flows**

In September 1989, the Governmental Accounting Standards Board (GASB) issued Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." The District has presented a statement of cash flows for its Enterprise, Internal Service, and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

**P. 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.

**Q. Financial Reporting for Proprietary Fund Type**

The District's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**R. 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 changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the District 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 (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.

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

1. United State Treasury bills, bonds, notes 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 State;
2. Bonds, notes, debentures, or any other obligation 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;



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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); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim monies available for investment at any one time for a period not to exceed one hundred eighty days.
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, 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 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 the delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Purchase Agreements."

**Deposits:** At fiscal year-end, the carrying amount of the District's deposits was \$155,262 and the bank balance was \$324,748. Of the bank balance

1. \$100,000 was covered by federal depository insurance or surety bonds; and
2. \$224,748 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 a successful claim by the FDIC.

**Investments:** The District's investments are categorized below 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 the District's agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counter-party'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 counter-party, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Reported Amount	Fair Value
STAR Ohio - Not Categorized	\$2,306,124	\$2,306,124

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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The classification of cash 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 investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$2,461,386	
Reclassifications:		
STAR Ohio	(2,306,124)	\$2,306,124
GASB Statement No. 3	\$155,262	\$2,306,124

**NOTE 3 - PROPERTY TAXES**

Property taxes, include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value. Real property taxes are collected in and intended to finance the year following the year in which they are levied.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied January 1 of the current year, the same year in which collections are made. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 2000 taxes were collected was \$48,210,600 of which real property (Commercial/Industrial, Residential/Agricultural and Public Utilities) represented 79% (\$38,252,140) of the total and tangible personal property represented 21% (\$9,958,460). The full tax rate for all District operations applied to real property for fiscal year ended June 30, 2000 was \$38.30 per \$1,000 of assessed valuation.

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$23.800 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$27.7876 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of June 30, 2000. Total property tax collections for the next fiscal year are measurable and amounts received during the available period (ninety percent of amount held by county auditor at June 30, 2000) were recognized as revenue June 30 and are intended to finance 2000/01 operations. Any taxes received after June 30, 2000 were not considered to be available to finance 1999/00 operations and were therefore offset by a credit to deferred revenue. Deferred revenue consists of real estate taxes for the last half of assessed taxes for calendar year 1999 and assessed taxes of calendar year 2000.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2000, consisted of taxes, interest, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlement and shared. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

Receivables	Amount
<u>General Fund:</u>	
Property Taxes - current	\$1,138,454
Property Taxes- delinquent	25,067
School Income Tax	258,548
Total Taxes	1,422,069
Interest	2,749
Accounts	345
 <u>Special Revenue Funds:</u>	
Property Taxes	24,121
Accounts	432
Intergovernmental	67,880
 <u>Debt Service Funds:</u>	
Taxes- current	186,505
Taxes-delinquent	3,943
Total Taxes	190,448
 <u>Enterprise Fund:</u>	
Accounts	167
Intergovernmental	8,337
 <u>Expendable Trust Fund:</u>	
Accounts	26
 <u>Agency Funds:</u>	
Accounts	1,282

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
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**NOTE 5 - FIXED ASSETS**

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance At 7/1/99	Additions	Retirements	Balance At 6/30/00
Land	\$56,434			\$56,434
Land Improvements	471,500			471,500
Buildings	8,296,082	\$92,935		8,389,017
Furniture and Equipment	1,831,859	109,078		1,940,937
Vehicles	858,550	166,259		1,024,809
<b>Total General Fixed Assets</b>	<b>\$11,514,425</b>	<b>\$368,272</b>		<b>\$11,882,697</b>

The following is a summary of proprietary fund-type fixed assets at June 30, 2000:

	<b>Enterprise Funds</b>
Machinery and Equipment	\$252,360
Less: Accumulated Depreciation	<u>109,628</u>
<b>Net Fixed Assets</b>	<b><u>\$142,732</u></b>

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Equipment	8-20 years
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**NOTE 6 - LONG-TERM DEBT**

Long-term obligations of the District as of June 30, 2000 were as follows:

	Outstanding At 7/1/99	Additions	Deductions	Outstanding At 6/30/00
General Obligation Energy Conservation Bonds: Interest Rate 5.50% Matures 12/01/03	\$184,000		(\$42,000)	\$142,000
Classroom Facilities Improvement Bonds: Interest Rate 3.60% to 5.6% Matures 12/1/2018	1,799,988		(70,000)	1,729,988

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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	Outstanding At 7/1/99	Additions	Deductions	Outstanding At 6/30/00
Capital Leases	32,969		(15,942)	17,027
Intergovernmental Payable	243,733		(178,222)	65,511
Compensated Absences	255,414		(15,220)	240,194
Total General Fixed Assets	<u>\$2,516,104</u>	<u>\$0</u>	<u>(\$321,384)</u>	<u>\$2,194,720</u>

Outstanding general obligation bonds consist of a school building construction and classroom facilities improvement issues. General obligation bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the district.

The accrued vacation and sick leave benefits recorded above represent the noncurrent portion of the liability. The current portion has been recorded in the appropriate fund types.

In accordance with Financial Accounting Standards Board Statement No.6 (Classification of Short-Term Obligations Expected to be Refinanced), the Energy Notes Payable at June 30, 2000, have been recorded in the General Fund Long Term Debt Account Group

The annual requirements to amortize all bond and note debt outstanding as of June 30, 2000, including interest is as follows:

Fiscal Year Ending June 30	General Obligations Bonds
2001	\$206,682
2002	207,568
2003	208,964
2004	158,415
2005	159,020
2006 - 2018	<u>2,233,098</u>
Total	3,173,747
Less Amount Representing Interest	<u>(1,301,759)</u>
Total	<u>\$1,871,988</u>

**NOTE 7 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The District has entered into capital leases for copiers which were accounted for in the General Fund.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligation Account Group. Principal payments in the 2000 fiscal year totaled \$15,942. This amount is reflected as debt service principal retirement in the General Fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30	General Long Term Obligations
2001	\$18,483
Less Amount Representing Interest	(1,456)
Total	\$17,027

The District does not have capitalized lease obligations after fiscal year 2001.

**NOTE 8 - INTERFUND RECEIVABLES/PAYABLES**

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

Fund Type / Fund	Receivable	Payable
General	\$140,310	
<u>Special Revenue:</u>		
Public School Support		\$97
Title I		34,614
Title VI-B		18,291
Drug Free Grant		2,257
Miscellaneous Federal Grant		17,581
Chapter II		437
Total		73,277
<u>Capital Projects:</u>		
School Net		38,776
Emergency Building Repair		7,970
Total		46,746

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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Fund Type / Fund	Receivable	Payable
<u>Expendable Trust:</u>		
Special Trust		151
 <u>Enterprise:</u>		
Uniform Supplies		20,136
Totals	\$140,310	\$140,310

**NOTE 9 - BUDGETARY BASIS**

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances, Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Retained Earnings, Budget (Non-GAAP Basis) and Actual, All Proprietary Fund Types and Nonexpendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds, and as a note disclosure in the proprietary fund types and nonexpendable trust funds (GAAP basis).
- (d) 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).

Adjustments necessary to convert the results of operations at the end of the fiscal year on the Budget Basis to the GAAP basis are as follows:

	<b>Excess of Revenues and Other Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$129,200	(\$45,181)	\$14,322	(\$151,364)	(\$7,156)
Adjustments:					
Revenue Accruals	111,337	12,273	5,866		(148)
Expenditure Accruals	(230,999)	(17,536)		(24,273)	
Net Advances	44,894	(20,771)		(23,972)	
Encumbrances	157,816	58,063		30,398	11,964
GAAP Basis	\$212,248	(\$13,152)	\$20,188	(\$169,211)	\$4,660

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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	Enterprise	Internal Service	Nonexpendable Trust
Budget Basis	(\$53,886)	\$320	\$289
Adjustments:			
Revenue Accruals	17,361		
Expenditure Accruals	66,299		
Encumbrances	10,075		
GAAP Basis	<u>\$39,849</u>	<u>\$320</u>	<u>\$289</u>

**NOTE 10 - SEGMENT INFORMATION - ENTERPRISE**

The District maintains three enterprise funds which are intended to be self-supporting through user fees charged for services to the students. Financial segment information as of and for the fiscal year ended June 30, 2000 is presented below:

	Food Service	Uniform Supplies	Adult Education	Total
Operating Revenues	\$166,004	\$14,137		\$180,141
Operating Expenses	216,748	16,765		233,513
Depreciation Expense	17,987			17,987
Operating Income (Loss)	(68,731)	(2,628)		(71,359)
Net Income (Loss)	42,335	(2,502)	\$16	39,849
Fixed Asset Additions	80,585			80,585
Net Cash Flow	(43,811)	(2,502)	16	(46,297)
Total Assets	208,221	12,354	294	220,869
Total Equity	151,102	12,354	294	163,750

**NOTE 11 - COMPENSATED ABSENCES**

**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 twenty-five percent (25%) of accumulative sick leave up to a maximum of 55 days. Employees must have twelve years service with South Central Local School system.

Non-Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave



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days at the time of retirement based on twenty-five percent (25%) of accumulative sick leave up to a maximum of 55 days. Employees must have ten years service with South Central Local School system.

**NOTE 12 - 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 2000 fiscal year amounted to \$822,103.

**NOTE 13 - PENSION AND RETIREMENT PLANS**

**A. State Teachers Retirement System**

The District participates in 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. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent 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 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$357,330, \$321,127, and \$298,272, respectively; 84.74 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999, and 1998; \$55,442, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**B. School Employees Retirement System**

The District contributes to the School Employees Retirement System (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. SERS 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 N. Fourth Street, Columbus, Ohio 43215.

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 annual covered payroll. For fiscal year 2000, 5.55 percent was the portion used to fund pension obligations. 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 for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$108,042,

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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\$104,562, and \$89,460, respectively; 40.51 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999, and 1998; \$64,258, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, the five members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**NOTE 14 - POST-EMPLOYMENT BENEFITS**

The 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 statutory 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. Through June 30, 1997, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent, and beginning July 1, 1998, was increased to 8 percent. For the District, this amount equaled \$196,159 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 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.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, 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, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits equaled \$60,432 during the 2000 fiscal year.

**NOTE 15 - 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 2000, 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.

***OSBA WORKER'S COMPENSATION GROUP RATING***

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

***HEALTH BENEFITS***

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

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

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**NOTE 16 - CONTINGENT LIABILITIES**

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, 2000.

**NOTE 17 - SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$3,025,564 of school foundation support for its general fund and in total (all funds) support.

Also, the Court declared the classroom facilities program unconstitutional, because, in the court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the District has received a total of \$2,005,000 under this program.

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

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

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

**NOTE 18 - STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 07/01/99	\$52,585	\$76,748	\$69,543	\$198,876
Required Set-Aside	131,432	131,432	43,811	306,675
Qualifying Expenditures	<u>(34,127)</u>	<u>(189,875)</u>	<u>                    </u>	<u>(224,002)</u>
Balance 06/30/00	<u>\$149,890</u>	<u>\$18,305</u>	<u>\$113,354</u>	<u>\$281,549</u>

**NOTE 19 - JOINTLY GOVERNED ORGANIZATION**

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 districts. 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.

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**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2000**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education:</i>		
Nutrition Cluster:		
Food Distribution Program	Not Available	10.550
School Breakfast Program	05-PU	10.553
National School Lunch Program	03-PU 1999 04-PU 2000	10.555
Total - National School Lunch		
Total U.S. Department of Agriculture - Nutrition Cluster		
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education:</i>		
Special Education Grants to States (IDEA Part B)	6B-SF	84.027
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010
Innovative Educational Program Strategies	C2-S1	84.298
Drug-Free Schools Grant	DR-S1	84.186
Dependent Care	DC-S1	93.673
Performance Incentive Grant	G2-S1	84.276
School To Work, FAMS, Partnership	Not Available	17.249
Eisenhower Proficiency Development	MS-S1	84.281
Classroom Reduction	CR-S1	84.340
Total Department of Education		
<b>Totals</b>		

*The accompanying notes are an integral part of this schedule.*



<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$16,896		\$16,588
\$17,802		\$17,802	
15,121		15,121	
52,799		52,799	
67,920		67,920	
85,722	16,896	85,722	16,588
42,153		47,628	
130,578		131,800	
1,963		3,296	
4,586		5,919	
		1,215	
35,108		31,945	
		8,341	
1,491			
7,866		25,447	
223,745		255,591	
<b>\$309,467</b>	<b>\$16,896</b>	<b>\$341,313</b>	<b>\$16,588</b>

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State and local funds. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



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

South Central Local School District  
Huron County  
3305 Greenwich Angling Road  
Greenwich, Ohio 44837-9443

To the Board of Education:

We have audited the financial statements of South Central Local District, Huron County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 26, 2001, which was qualified due to our inability to obtain sufficient evidential matter supporting fixed assets. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 26, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-10599-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition mentioned above to be a material weakness. We also 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 26, 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.

**Jim Petro**  
Auditor of State

January 26, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

South Central Local School District  
Huron County  
3305 Greenwich Angling Road  
Greenwich, Ohio 44837-9443

To the Board of Education:

**Compliance**

We have audited the compliance of South Central Local School District, Huron County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of 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 generally accepted auditing standards; 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 each of its major federal programs for the year ended June 30, 2000.

**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.

South Central Local School District  
Huron County  
Report of Independent Accountants on Compliance with Requirements  
Applicable to the Major Federal Program and Internal Control Over  
Compliance in Accordance with OMB Circular A-133  
Page 2

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.

**Jim Petro**  
Auditor of State

January 26, 2001

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2000**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Qualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under §.510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster: Food Distribution CFDA #10.500 National School Lunch CFDA #10.555 National School Breakfast CFDA #10.553  Grants to Local Educational Agencies CFDA #84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2000-10539-001**

**Material Weakness**

The District contracted with an outside firm to prepare a fixed asset inventory. However, the most recent report was as of March 18, 1999. The District was unable to provide an updated detailed listing of its fixed assets as of June 30, 2000. Also, the District has not adopted a formal written fixed asset policy. The failure to maintain an accurate fixed asset system could allow errors or irregularities to go undetected. We recommend the following:

1. The District should reconcile the 1999 valuation report to its listings of fixed assets, and update the valuation for additions and deletions subsequent to the valuation date.
2. The District should maintain an up-to-date fixed asset inventory and conduct periodic physical inspections.
3. The District should adopt a formal written fixed asset policy. The policy should include:
  - a. The criteria to be met before an asset will be accounted for as a fixed asset in terms of useful life and a threshold dollar amount.
  - b. The method to be used to determine the cost (actual and estimated) of fixed assets.
  - c. How assets are to be identified - assigning asset numbers, location, asset type, description, tagging, etc.
  - d. When a newly acquired or constructed fixed asset is to be recorded in the fixed asset records.
  - e. The expenditures to be included in the cost of constructing the fixed asset.
  - f. The District's policy for computing depreciation on fund fixed assets, general fixed assets and the method of depreciation, including how to establish salvage value.
  - g. Whether the cost of replacing a fixed asset should be maintained by the system, how it should be determined, how often it should be revised, and by whom.
  - h. Policies regarding the sale, trade or other disposal of fixed assets.
  - i. Under what circumstances transfers of assets between departments or buildings are permitted.
  - j. If the existence of a maintenance agreement is to be included in the fixed asset information.
  - k. If fixed asset values are to be maintained for insurance purposes.
  - l. Under what conditions the District will report a leased asset as a fixed asset of the District with corresponding liability for the lease payment.
  - m. A decision regarding infrastructure reporting.
4. The Treasurer should review the fixed assets reports prepared by any third party to ensure that the report is complete, up-to-date, and follows District policy.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





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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  
FEBRUARY 22, 2001**