



Mary Taylor, CPA
Auditor of State

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Local School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Local School District, Williams County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

January 3, 2008

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited**

The discussion and analysis of the North Central Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2006 are as follows:

- In total, net assets increased \$315,159.
- General revenues accounted for \$6,555,290 or 90 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$727,694 or 10 percent of total revenues of \$7,282,984.
- The District's major funds included the General Fund, the Bond Retirement Fund, and the Permanent Improvement Fund. The General Fund had \$6,068,490 in revenues and \$6,200,667 in expenditures and other financing uses. The General Fund's balance decreased \$132,177 from the prior fiscal year. The Bond Retirement Fund had \$351,358 in revenues and other financing sources and \$282,894 in expenditures. The Bond Retirement Fund's balance increased \$68,464 from the prior fiscal year. The Permanent Improvement Fund had \$360,235 in revenues and other financing sources and \$201,797 in expenditures. The Permanent Improvement Fund's balance increased \$158,438 from the prior fiscal year.
- The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund, the Bond Retirement Fund, and the Permanent Improvement Fund are the only three major funds.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Permanent Improvement Fund. While the District uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - Most of the District's activities are reported in the governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 1
Net Assets
Governmental Activities**

	2006	2005
<u>Assets:</u>		
Current and Other Assets	\$5,353,883	\$4,502,158
Capital Assets, Net	3,913,801	4,036,927
Total Assets	9,267,684	8,539,085
<u>Liabilities:</u>		
Current and Other Liabilities	3,424,946	2,771,150
Long-Term Liabilities	2,544,081	2,784,437
Total Liabilities	5,969,027	5,555,587
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	1,823,801	1,746,927
Restricted	1,274,644	1,011,672
Unrestricted	200,212	224,899
Total	\$3,298,657	\$2,983,498

The collection of the 5 year emergency levy is the majority of the increase in assets (9 percent), liabilities (7 percent), and net assets (11 percent).

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 2
Change in Net Assets
Governmental Activities**

	2006	2005
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$347,414	\$291,885
Operating Grants, Contributions and Interest	380,280	341,912
Total Program Revenues	727,694	633,797
General Revenues:		
Property Taxes	2,822,920	2,620,514
Grants and Entitlements	2,997,783	2,930,884
Interest	79,910	27,938
Gifts and Donations	22,742	6,480
Payments in Lieu of Taxes	567,586	
Miscellaneous	64,349	624,638
Total General Revenues	6,555,290	6,210,454
Total Revenues	7,282,984	6,844,251
<u>Expenses:</u>		
Instruction	4,203,149	3,958,507
Support Services:		
Pupils	152,471	164,507
Instructional Staff	277,849	254,136
Board of Education	34,621	14,459
Administration	459,104	504,911
Fiscal	204,471	169,731
Business	150	
Operation and Maintenance of Plant	495,312	410,075
Pupil Transportation	388,515	385,998
Central	88,313	106,503
Non-Instructional	254,563	230,533
Extracurricular Activities	175,823	186,413
Capital Outlay	155,484	158,722
Interest and Fiscal Charges	78,000	74,572
Total Expenses	6,967,825	6,619,067
Increase in Net Assets	\$315,159	\$225,184

The increase in revenues is attributed to the collection of the five-year emergency levy being realized in part during FY 2006. Full collection will begin in FY 2007. The increase in expenses is largely attributed to staff step pay increases and open enrollment costs from District students attending surrounding districts.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
Instruction	\$4,203,149	\$3,784,016	\$3,958,507	\$3,599,509
Support Services:				
Pupils	152,471	149,270	164,507	162,065
Instructional Staff	277,849	273,194	254,136	241,673
Board of Education	34,621	34,621	14,459	14,459
Administration	459,104	459,104	504,911	504,911
Fiscal	204,471	204,471	169,731	169,731
Business	150	150		
Operation and Maintenance of Plant	495,312	495,312	410,075	410,075
Pupil Transportation	388,515	388,515	385,998	385,998
Central	88,313	77,313	106,503	101,503
Non-Instructional	254,563	7,083	230,533	16,112
Extracurricular Activities	175,823	133,598	186,413	145,940
Capital Outlay	155,484	155,484	158,722	158,722
Interest and Fiscal Charges	78,000	78,000	74,572	74,572
Total Expenses	\$6,967,825	\$6,240,131	\$6,619,067	\$5,985,270

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 89 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 90 percent. The remaining 10 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Permanent Improvement Fund. Total governmental funds had revenues and other financing sources of \$7,328,574 and expenditures and other financing uses of \$7,219,977. The net positive change of \$108,597 in fund balance for the year indicates that the District is able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006, the District amended its General Fund budget as needed.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

Original revenues were budgeted at \$5,589,041 while final budgeted revenues were \$6,051,285. The \$462,244 difference is primarily due to the operating levy being adopted and the associated increased revenue from the levy during the year.

Final expenditures were budgeted at \$6,592,576 while actual expenditures were \$6,262,455. The \$330,121 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the District had \$3,913,801 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2006, the District had \$2,090,000 in school improvement general obligation bonds for building improvements. The bonds were issued in February 2004, with final maturity on December 1, 2015. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2006, the District's overall legal debt margin was \$5,662,764, with an un-voted debt margin of \$86,142.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

The District is continuing to be conservative in its spending in the state of a declining economy and uncertainty in State funding. Pioneer is a small rural community of 1,500 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the second year of the state biennium budget. 49 percent of District revenue sources is from local funds, 47 percent from is state funds (foundation restricted and unrestricted and 400 funds) and the remaining 4 percent is from federal funds (500 funds). The total expenditure per pupil was calculated at \$9,481 according to the Ohio Department of Education website report card information.

Recently it became necessary for the District to address a need for additional revenue. In February 2005, the District passed a five-year emergency levy. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. The phase out of personal property tax revenue will have a significant impact on the District.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Eric Smeltzer, Treasurer, North Central Local School District, 400 East Baubice Street, Pioneer, Ohio 43554-9637.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Net Assets
June 30, 2006**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	2,317,230
Materials and Supplies Inventory		34,786
Accrued Interest Receivable		66
Intergovernmental Receivable		27,328
Taxes Receivable		2,974,473
Non-Depreciable Capital Assets		607,317
Depreciable Capital Assets, net		<u>3,306,484</u>
Total Assets		<u>9,267,684</u>
 LIABILITIES:		
Accounts Payable		100,215
Accrued Wages and Benefits		482,826
Intergovernmental Payable		118,477
Matured Compensated Absences Payable		36,026
Deferred Revenue		2,687,402
Long-Term Liabilities:		
Due Within One Year		236,026
Due in More Than One Year		<u>2,308,055</u>
Total Liabilities		<u>5,969,027</u>
 NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		1,823,801
Restricted for Debt Service		817,384
Restricted for Capital Outlay		334,688
Restricted for Other Purposes		122,572
Unrestricted		<u>200,212</u>
Total Net Assets	\$	<u><u>3,298,657</u></u>

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2006**

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 2,647,677	\$ 168,914	\$ 66,891	(2,411,872)
Special	669,676		183,328	(486,348)
Vocational	136,124			(136,124)
Other	749,672			(749,672)
Support Services:				
Pupils	152,471		3,201	(149,270)
Instructional Staff	277,849		4,655	(273,194)
Board of Education	34,621			(34,621)
Administration	459,104			(459,104)
Fiscal	204,471			(204,471)
Business	150			(150)
Operation and Maintenance of Plant	495,312			(495,312)
Pupil Transportation	388,515			(388,515)
Central	88,313		11,000	(77,313)
Operation of Non-Instructional Services	254,563	136,275	111,205	(7,083)
Extracurricular Activities	175,823	42,225		(133,598)
Capital Outlay	155,484			(155,484)
Debt Service:				
Interest and Fiscal Charges	78,000			(78,000)
Totals	\$ 6,967,825	\$ 347,414	\$ 380,280	(6,240,131)

General Revenues:

Taxes:		
Property Taxes, Levied for General Purposes	2,307,464	
Property Taxes, Levied for Capital Outlay	306,296	
Property Taxes, Levied for Debt Service	209,160	
Grants and Entitlements not Restricted to Specific Programs	2,997,783	
Gifts and Donations	22,742	
Investment Earnings	79,910	
Payments in lieu of Taxes	567,586	
Miscellaneous	64,349	
Total General Revenues	6,555,290	
Change in Net Assets	315,159	
Net Assets Beginning of Year	2,983,498	
Net Assets End of Year	\$ 3,298,657	

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2006**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 864,895	\$ 807,118	\$ 330,500	\$ 119,239	\$ 2,121,752
Materials and Supplies Inventory	26,785			8,001	34,786
Accrued Interest Receivable	66				66
Interfund Receivable	16,379				16,379
Intergovernmental Receivable				27,328	27,328
Taxes Receivable	2,481,876	191,056	301,541		2,974,473
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	195,478				195,478
Total Assets	\$ 3,585,479	\$ 998,174	\$ 632,041	\$ 154,568	\$ 5,370,262
Liabilities					
Current Liabilities:					
Accounts Payable	85,783		12,843	1,589	100,215
Accrued Wages and Benefits	454,425			28,401	482,826
Interfund Payable				16,379	16,379
Intergovernmental Payable	109,198			9,279	118,477
Matured Compensated Absences Payable	36,026				36,026
Deferred Revenue	2,312,438	183,689	289,263	3,623	2,789,013
	<u>2,997,870</u>	<u>183,689</u>	<u>302,106</u>	<u>59,271</u>	<u>3,542,936</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	57,863		27,017	3,332	88,212
Reserved for Inventory	26,785			8,001	34,786
Reserved for Property Taxes	169,438	7,367	12,278		189,083
Reserved for Textbooks and Instructional Materials	195,478				195,478
Unreserved, Undesignated, Reported in:					
General Fund	138,045				138,045
Special Revenue Funds				83,643	83,643
Debt Service Funds		807,118			807,118
Capital Projects Funds			290,640	321	290,961
Total Fund Balances	<u>587,609</u>	<u>814,485</u>	<u>329,935</u>	<u>95,297</u>	<u>1,827,326</u>
Total Liabilities and Fund Balances	\$ 3,585,479	\$ 998,174	\$ 632,041	\$ 154,568	\$ 5,370,262

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2006**

Total Governmental Fund Balances	\$	1,827,326
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		3,913,801
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		101,611
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	\$	(2,090,000)
Compensated Absences Payable		(454,081)
		<u>(2,544,081)</u>
Net Assets of Governmental Activities	\$	<u><u>3,298,657</u></u>

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 2,291,403	\$ 209,283	\$ 305,997	\$	\$ 2,806,683
Intergovernmental	2,947,285	47,741	32,033	328,982	3,356,041
Interest	47,202	25,898	6,792	18	79,910
Tuition and Fees	129,587			22,711	152,298
Rent	60				60
Extracurricular Activities				42,225	42,225
Gifts and Donations	8,626			14,116	22,742
Customer Sales and Services	16,556			136,275	152,831
Payments in lieu of Taxes	567,586				567,586
Miscellaneous	60,185			4,164	64,349
Total Revenues	<u>6,068,490</u>	<u>282,922</u>	<u>344,822</u>	<u>548,491</u>	<u>7,244,725</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,587,119		17,271	48,514	2,652,904
Special	508,703		89	160,696	669,488
Vocational	136,068				136,068
Other	749,672				749,672
Support Services:					
Pupils	147,820		1,998	2,096	151,914
Instructional Staff	257,005		1,351	26,399	284,755
Board of Education	34,621				34,621
Administration	445,144		21,174	2,170	468,488
Fiscal	194,457	4,894	9,308		208,659
Business	150				150
Operation and Maintenance of Plant	419,120		112,933	1,310	533,363
Pupil Transportation	402,059		27,715		429,774
Central	94,167			12,000	106,167
Operation of Non-Instructional Services	4,214		9,958	238,510	252,682
Extracurricular Activities	136,499			42,924	179,423
Debt Service:					
Principal		200,000			200,000
Interest		78,000			78,000
Total Expenditures	<u>6,116,818</u>	<u>282,894</u>	<u>201,797</u>	<u>534,619</u>	<u>7,136,128</u>
Excess of Revenues Over (Under) Expenditures	<u>(48,328)</u>	<u>28</u>	<u>143,025</u>	<u>13,872</u>	<u>108,597</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In		68,436	15,413		83,849
Transfers Out	(83,849)				(83,849)
Total Other Financing Sources and Uses	<u>(83,849)</u>	<u>68,436</u>	<u>15,413</u>		
Net Change in Fund Balances	(132,177)	68,464	158,438	13,872	108,597
Fund Balance at Beginning of Year	719,786	746,021	171,497	81,425	1,718,729
Fund Balance at End of Year	<u>\$ 587,609</u>	<u>\$ 814,485</u>	<u>\$ 329,935</u>	<u>\$ 95,297</u>	<u>\$ 1,827,326</u>

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2006**

Net Change in Fund Balances - Total Governmental Funds \$ 108,597

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	\$ 110,736	
Depreciation	<u>(232,931)</u>	
		(122,195)

The book value of capital assets removed from the capital asset account on the statement of net assets when disposed of that resulted in a loss on disposal of capital assets on the statement of net activities.

Loss on Disposal of Capital Assets		(931)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	22,022	
Delinquent Property Taxes	<u>16,237</u>	
		38,259

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

200,000

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	51,073	
Compensated Absences Payable	<u>40,356</u>	

91,429

Change in Net Assets of Governmental Activities	\$	<u><u>315,159</u></u>
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See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 2,114,719	\$ 2,411,009	\$ 2,300,241	\$ (110,768)
Intergovernmental	2,792,460	2,899,507	2,947,285	47,778
Interest	15,520	39,520	47,160	7,640
Tuition and Fees	92,625	108,496	129,587	21,091
Rent	271	121	60	(61)
Gifts and Donations	5,681	7,811	8,626	815
Customer Sales and Services		16,556	16,556	
Payments in lieu of Taxes	567,586	567,586	567,586	
Miscellaneous	179	679	857	178
Total Revenues	<u>5,589,041</u>	<u>6,051,285</u>	<u>6,017,958</u>	<u>(33,327)</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,728,023	2,744,995	2,595,020	149,975
Special	729,282	729,283	513,527	215,756
Vocational	142,848	142,848	133,321	9,527
Other	567,370	610,565	749,879	(139,314)
Support Services:				
Pupils	186,253	186,253	168,733	17,520
Instructional Staff	218,868	243,668	252,021	(8,353)
Board of Education	14,585	32,192	34,542	(2,350)
Administration	509,779	513,071	445,283	67,788
Fiscal	181,006	191,001	195,286	(4,285)
Business		150	150	-
Operation and Maintenance of Plant	449,897	449,897	430,795	19,102
Pupil Transportation	348,711	397,203	411,133	(13,930)
Central	118,676	118,676	106,661	12,015
Operation of Non-Instructional Services	5,865	5,865	8,371	(2,506)
Extracurricular Activities	140,616	142,141	133,884	8,257
Total Expenditures	<u>6,341,779</u>	<u>6,507,808</u>	<u>6,178,606</u>	<u>329,202</u>
Excess of Expenditures Over Revenues	<u>(752,738)</u>	<u>(456,523)</u>	<u>(160,648)</u>	<u>295,875</u>
Other Financing Sources and Uses:				
Refund of Prior Year Expenditures	23,069	58,324	58,324	
Advances In	8,642	8,642		(8,642)
Transfers Out		(84,768)	(83,849)	919
Transfers In		8,642		(8,642)
Proceeds from Sale of Capital Assets		1,004	1,004	
Total Other Financing Sources and Uses	<u>31,711</u>	<u>(8,156)</u>	<u>(24,521)</u>	<u>(16,365)</u>
Net Change in Fund Balances	<u>(721,027)</u>	<u>(464,679)</u>	<u>(185,169)</u>	<u>279,510</u>
Fund Balance at Beginning of Year	1,012,499	1,012,499	1,012,499	
Prior Year Encumbrances Appropriated	117,321	117,321	117,321	
Fund Balance at End of Year	<u>\$ 408,793</u>	<u>\$ 665,141</u>	<u>\$ 944,651</u>	<u>\$ 279,510</u>

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>5,965</u>	\$ <u>63,019</u>
Total Assets	<u>5,965</u>	<u>63,019</u>
Liabilities		
Current Liabilities:		
Undistributed Monies	<u> </u>	\$ <u>63,019</u>
Total Liabilities	<u> </u>	<u>63,019</u>
Net Assets		
Held in Trust for Scholarships	<u>5,965</u>	<u> </u>
Total Net Assets	<u>\$ <u>5,965</u></u>	<u> </u>

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2006**

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and Contributions	\$ 14,595
Interest	17
Total Additions	<u>14,612</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>16,116</u>
Total Deductions	<u>16,116</u>
Change in Net Assets	(1,504)
Net Assets Beginning of Year	<u>7,469</u>
Net Assets End of Year	<u>\$ 5,965</u>

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

North Central Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. North Central Local School District is a city school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 28 non-certified and 54 certified full-time teaching personnel who provide services to 678 students and other community members.

The Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, Northwest Ohio Educational Research Council, Inc and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund, the Bond Retirement Fund, and the Permanent Improvement Fund are the District's major governmental funds:

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

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

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of a private purpose trust fund and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments, and are therefore not available to support the District's own programs. The District's trust fund is a private purpose trust, which accounts for programs that provide college scholarships to students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

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

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the function level within the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the object level within the General Fund and the function and object level in all other funds are made by the Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

During fiscal year 2006, investments were limited to STAR Ohio.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2006.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$47,202, which includes \$8,404 from the other District funds.

For presentation on the financial statements, 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 that are not purchased from the pool are reported as investments.

G. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consisted of expendable supplies held for consumption. Donated food and purchased food are expensed when used. The cost of inventory items is recorded as an expenditure when purchased.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for textbook and instructional materials.

I. Capital Assets

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture, Fixtures, and Equipment	5 - 20 years
Vehicles	5 - 15 years
Books	10 - 20 years
Infrastructure	15 - 30 years

J. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

K. Compensated Absences

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

The entire compensated absence liability is reported on the government-wide financial statements.

For the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments are due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants are restricted to expenditures for specific purposes. As of June 30, 2006, there were no assets restricted by enabling legislation.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

N. Fund Balance Reserves

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

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

O. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities are eliminated on the government wide statement of net assets.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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. Pass-Through Grants

The Eisenhower and Handicapped Preschool special revenue funds are pass-through grants in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting of Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

3. ACCOUNTING CHANGE

In prior year, property tax monies collected for debt retirement were allocated to the General Fund rather than the Bond Retirement Fund.

The Yeager Scholarship fund, which provides scholarships to graduating students seeking higher education, was previously classified as a special revenue fund. For fiscal year 2006, it has been reclassified to a private purpose trust fund.

Certain capital assets which were disposed of in prior fiscal years were removed from the financial statements.

These changes had the following effects on fund balances:

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances, as previously reported at June 30, 2005	\$ 737,634	\$ 728,173	\$ 260,391	\$ 1,726,198
Property Tax Reallocation	(17,848)	17,848		
Change in Fund Classification	<u> </u>	<u> </u>	<u>(7,469)</u>	<u>(7,469)</u>
Fund Balances, as restated at July 1, 2005	<u>\$ 719,786</u>	<u>\$ 746,021</u>	<u>\$ 252,922</u>	<u>\$ 1,718,729</u>

These changes had the following effects on net assets:

	<u>Governmental Activities</u>	<u>Private Purpose Trust</u>
Net Assets, as previously reported at June 30, 2005	\$ 3,210,075	
Capital Asset disposal	(219,108)	
Change in Fund Classification	<u>(7,469)</u>	<u>\$ 7,469</u>
Net Assets, as restated at July 1, 2005	<u>\$ 2,983,498</u>	<u>\$ 7,469</u>

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	(\$132,177)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received In Cash FY 2006	178,300
Accrued FY 2006, Not Yet Received in Cash	(169,504)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(604,714)
Accrued FY 2006, Not Yet Paid in Cash	658,647
Encumbrances Outstanding at Year End (Budget Basis)	<u>(115,721)</u>
Budget Basis	<u><u>(\$185,169)</u></u>

5. DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active 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.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. DEPOSITS AND INVESTMENTS – (Continued)

Inactive deposits are public deposits that the Board has identified as not required for use within the current five 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.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States 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 States;
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 any securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions,
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the District had \$20 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. DEPOSITS AND INVESTMENTS – (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$981,399 of the District's bank balance of \$1,827,163 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2006, the District had a carrying value and fair value of \$668,233 invested in STAR Ohio.

Credit Risk - STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices beyond the requirements of state statutes.

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes for 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2006 were levied after April 1, 2005, on the assessed values as of December 31, 2004, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. PROPERTY TAXES – (Continued)

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes for 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Williams County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2006, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2006 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2006, was \$169,438 in the General Fund, \$7,367 in the Bond Retirement Fund, and \$12,278 in the Capital Projects Fund. The amount available as an advance at June 30, 2005, was \$178,276 in the General Fund, \$10,643 in the Bond Retirement Fund, and \$15,965 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$55,620,950	69%	\$56,390,700	65%
Industrial/Commercial	9,262,830	11%	11,357,370	13%
Public Utility	2,638,730	3%	2,277,040	3%
Tangible Personal	13,904,800	17%	16,116,710	19%
Total Assessed Value	<u>\$81,427,310</u>	<u>100%</u>	<u>\$86,141,820</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$63.00		\$66.00	

7. RECEIVABLES

Receivables at June 30, 2006, consisted of property, intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

7. RECEIVABLES – (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Food Service	\$8,889
Title VI-B	10,404
Title V	1,479
Drug Free Schools	257
Title II-A	5,912
Miscellaneous Federal	387
Total Intergovernmental Receivables	\$27,328

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Restated Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$607,317			\$607,317
Total Nondepreciable Capital Assets	607,317			607,317
Depreciable Capital Assets				
Land Improvements	30,538			30,538
Buildings and Building Improvements	4,647,567			4,647,567
Furniture, Fixtures, and Equipment	993,294	\$37,905	\$3,678	1,027,621
Vehicles	454,959	72,831	13,125	514,665
Infrastructure	63,583			63,583
Books	662,916			662,916
Total Depreciable Capital Assets	6,852,957	110,736	16,803	6,946,890
Less Accumulated Depreciation				
Land Improvements	30,402	101		30,503
Buildings and Building Improvements	1,936,047	156,731		2,092,778
Furniture, Fixtures, and Equipment	705,031	39,553	2,747	741,837
Vehicles	294,410	28,418	13,125	309,703
Infrastructure	21,459	3,179		24,638
Books	435,998	4,949		440,947
Total Accumulated Depreciation	3,423,347	232,931	15,872	3,640,406
Depreciable Capital Assets, Net	3,429,610	(122,195)	931	3,306,484
Governmental Activities Capital Assets, Net	\$4,036,927	(\$122,195)	\$931	\$3,913,801

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

8. CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$28,481
Special	266
Vocational	11
Support Services:	
Instructional Staff	342
Administration	800
Fiscal	266
Operation and Maintenance of Plant	9,275
Pupil Transportation	26,847
Non-Instructional Services	10,910
Extracurricular	249
Capital Outlay	155,484
Total Depreciation Expense	\$232,931

9. RESTRICTED ASSETS

The following amounts, which are reflected on the statement of net assets, are restricted for textbooks and instructional materials.

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$195,478

10. RISK MANAGEMENT

A. Ohio School Plan

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. RISK MANAGEMENT – (Continued)

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65% and is less than 80% does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

	2005	2004
Assets	\$952,191	\$850,065
Liabilities	213,419	509,558
Members Equity	\$738,772	\$340,507

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, www.ohioschoolplan.org.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool (Note 17) consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Rating Plan

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 17). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

11. DEFINED PENSION BENEFIT PLANS

A. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100 Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$80,054, \$73,975, and \$70,815, respectively. The full amount has been contributed for fiscal years 2005 and 2004. The unpaid contributions for fiscal year 2006 are \$46,898.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

11. DEFINED PENSION BENEFIT PLANS – (Continued)

Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$369,110, \$381,678, and \$384,055, respectively; 84 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

12. POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$28,393 for fiscal year 2006.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

12. POSTEMPLOYMENT BENEFITS – (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$36,274.

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 the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

13. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment. Employees who are not on an eleven or twelve month contract do not earn vacation time. Employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 230 days.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2006, the following changes occurred in obligations reported in the Government -Wide Financial Statements:

	<u>Balance at July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2006</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$2,290,000		\$200,000	\$2,090,000	\$200,000
Compensated Absences	494,437	\$454,081	494,437	454,081	36,026
Total Long-Term Obligations	<u>\$2,784,437</u>	<u>\$454,081</u>	<u>\$694,437</u>	<u>\$2,544,081</u>	<u>\$236,026</u>

Debt outstanding at June 30, 2006, consisted of General Obligation Bonds totaling \$2,090,000 (interest rate was 1.5 to 5.0 percent at June 30, 2006). The bonds were issued on February 1, 2004 and consist of current interest bonds. The current interest bonds will mature in December 2015.

Total expenditures for interest for the above debt for the period ended June 30, 2006, was \$78,000.

The scheduled payments of principal and interest on debt outstanding at June 30, 2006, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$200,000	\$74,500	\$274,500
2008	200,000	70,500	270,500
2009	200,000	66,000	266,000
2010	200,000	60,750	260,750
2011	200,000	55,000	255,000
2012-2016	1,090,000	142,250	1,232,250
Total	<u>\$2,090,000</u>	<u>\$469,000</u>	<u>\$2,559,000</u>

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

15. SET-ASIDE CALCULATIONS AND FUND RESERVES – (Continued)

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

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2005	\$131,558	
Current Year Set-aside Requirement	96,725	\$96,725
Current Year Offsets		(327,179)
Qualifying Disbursements	(32,805)	
Total	\$195,478	(\$230,454)
Cash Balance Carried Forward to FY 2007	\$195,478	

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The NWOCA Assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the four counties in which the member school districts are located and the representative from the member school district serving as fiscal agent for NWOCA. The degree of control exercised by any participating school district is limited to its representation on the Board. All payments made by the District for services received are made to the Northern Buckeye Education Council. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

C. Four County Career Center

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

D. Northwestern Ohio Educational Research Council, Inc.

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

17. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to Northern Buckeye Education Council for insurance benefits were \$715,939. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

17. GROUP PURCHASING POOLS – (Continued)

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During fiscal year 2005 the District paid an enrollment fee of \$723 to the WCGRP to cover the costs of administering the program.

18. INTERFUND ASSETS/LIABILITIES

On the fund financial statements, the General fund had interfund receivables of \$16,379. These interfund loans were made to provide capital to other non-major funds.

During the year ended June 30, 2007, the General Fund transferred \$68,436 to the Bond Retirement Fund and \$15,413 to the Permanent Improvements Fund. These transfers were made to move unrestricted balances to retire debt and projects accounted for in other funds.

19. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 adverse effect on the overall financial position of the District at June 30, 2006.

B. Litigation

There are currently no matters in litigation with the District as defendant.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Central Local School District, Williams County, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our audit procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over the financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated January 3, 2008, we reported other matters involving internal control over financing reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated January 3, 2008, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

January 3, 2008

**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code § 3313.25 – Treasurer did not have a surety bond.	Yes	
2005-002	Ohio Revised Code § 5705.10 – Property tax and homestead and rollback revenues posted to the incorrect fund.	No	Not corrected. Reissued in the Management Letter
2005-003	Food Service Revenue – Lack of compensating monitoring controls regarding food service collections and deposits.	Yes	
2005-004	Payroll Clearing Account Reconciliations – Unexplained variances in monthly payroll account reconciliations.	Yes	



Mary Taylor, CPA
Auditor of State

NORTH CENTRAL LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 29, 2008**