

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(Audited)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2008***

SHIRLEY F. ONEY, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
South Central Local School District
3305 Greenwich Angling Road
Greenwich, Ohio 44837

We have reviewed the *Independent Auditor's Report* of the South Central Local School District, Huron County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 12, 2009

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**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
South Central Local School District
3305 Greenwich Angling Road
Greenwich, Ohio 44837

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of South Central Local School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise South Central Local School District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of South Central Local School 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

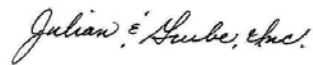
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of South Central Local School District, Huron County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2008, on our consideration of South Central Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
South Central Local School District
Page Two

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

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



Julian & Grube, Inc.
December 16, 2008

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

The management's discussion and analysis of the South 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, 2008. 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 the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$195,187 which represents a 2.13% decrease from 2007.
- General revenues accounted for \$7,270,726 in revenue or 81.67% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,631,785 or 18.33% of total revenues of \$8,902,511.
- The District had \$9,097,698 in expenses related to governmental activities; only \$1,631,785 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,270,726 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,694,099 in revenues and other financing sources and \$7,649,909 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance increased \$44,190 from \$4,008,563 to \$4,052,753.

Using the Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and 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 the next 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 nonmajor funds presented in total in one column.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change 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 governmental activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities, food service operations and interest and fiscal charges. The statement of net assets and statement of activities can be found on pages 13 and 14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-48 of this report.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
<u>Assets</u>		
Current and other assets	\$ 6,690,802	\$ 6,726,149
Capital assets, net	<u>5,997,725</u>	<u>6,211,925</u>
Total assets	<u>12,688,527</u>	<u>12,938,074</u>
<u>Liabilities</u>		
Current liabilities	1,910,033	1,935,092
Long-term liabilities	<u>1,809,447</u>	<u>1,838,748</u>
Total liabilities	<u>3,719,480</u>	<u>3,773,840</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,844,137	5,049,286
Restricted	1,015,486	1,089,624
Unrestricted	<u>3,109,424</u>	<u>3,025,324</u>
Total net assets	<u>\$ 8,969,047</u>	<u>\$ 9,164,234</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$8,969,047. At year-end, unrestricted net assets were \$3,109,424.

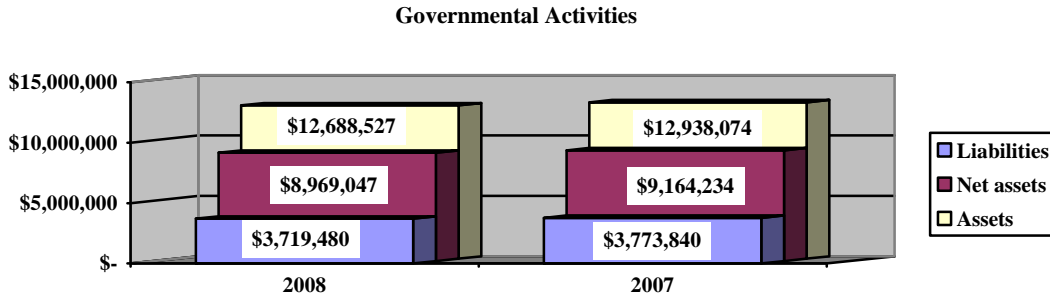
At year-end, capital assets represented 48.98% of total assets. Capital assets include land improvements, construction in progress, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008 were \$4,844,137. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,015,486, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,109,424 may be used to meet the District's ongoing obligations to the students and creditors.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2008 and 2007:



The table below shows the change in net assets for fiscal year 2008 compared to fiscal year 2007.

	Change in Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 685,956	\$ 610,048
Operating grants and contributions	939,247	975,275
Capital grants and contributions	6,582	9,049
General revenues:		
Property taxes	1,581,603	1,488,468
School district income taxes	922,372	965,734
Grants and entitlements	4,566,184	4,480,083
Investment earnings	193,187	241,990
Other	7,380	9,793
Total revenues	<u>8,902,511</u>	<u>8,780,440</u>

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Change in Net Assets

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,273,507	\$ 3,862,102
Special	482,286	460,988
Vocational	183,308	147,092
Other	630,969	518,615
Support services:		
Pupil	90,082	121,581
Instructional staff	113,226	143,432
Board of education	22,514	45,350
Administration	887,931	867,151
Fiscal	237,227	270,096
Operations and maintenance	715,347	667,007
Pupil transportation	617,299	593,515
Central	8,037	1,208
Operations of non-instructional services:		
Food service operations	415,800	365,823
Other non-instructional services	1,000	3,000
Extracurricular activities	332,707	265,325
Interest and fiscal charges	<u>86,458</u>	<u>93,121</u>
Total expenses	<u>9,097,698</u>	<u>8,425,406</u>
Change in net assets	(195,187)	355,034
Net assets at beginning of year	<u>9,164,234</u>	<u>8,809,200</u>
Net assets at end of year	<u>\$ 8,969,047</u>	<u>\$ 9,164,234</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$195,187. Total governmental expenses of \$9,097,698 were offset by program revenues of \$1,631,785 and general revenues of \$7,270,726. Program revenues supported 17.94% of the total governmental expenses.

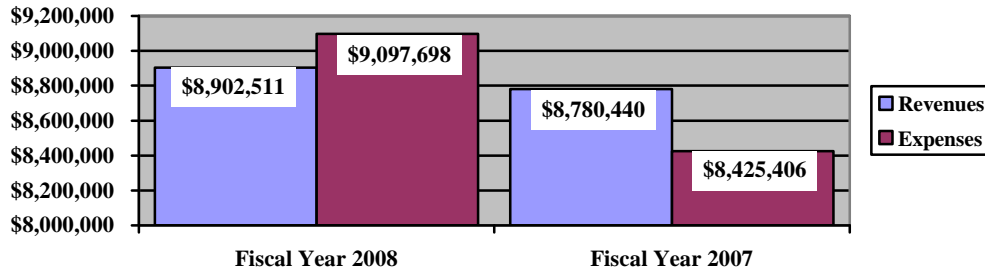
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These three revenue sources represent 79.42% of total governmental revenue.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 4,273,507	\$ 3,736,817	\$ 3,862,102	\$ 3,272,408
Special	482,286	13,162	460,988	30,251
Vocational	183,308	139,812	147,092	105,800
Other	630,969	630,955	518,615	512,326
Support services:				
Pupil	90,082	84,135	121,581	116,923
Instructional staff	113,226	105,984	143,432	135,129
Board of education	22,514	22,514	45,350	45,350
Administration	887,931	846,522	867,151	860,451
Fiscal	237,227	237,227	270,096	270,096
Operations and maintenance	715,347	715,226	667,007	664,822
Pupil transportation	617,299	589,538	593,515	554,894
Central	8,037	7,960	1,208	1,208
Operations of non-instructional services:				
Food service operations	415,800	27,216	365,823	14,749
Other non-instructional services	1,000	(876)	3,000	773
Extracurricular activities	332,707	223,263	265,325	152,733
Interest and fiscal charges	86,458	86,458	93,121	93,121
Total expenses	<u>\$ 9,097,698</u>	<u>\$ 7,465,913</u>	<u>\$ 8,425,406</u>	<u>\$ 6,831,034</u>

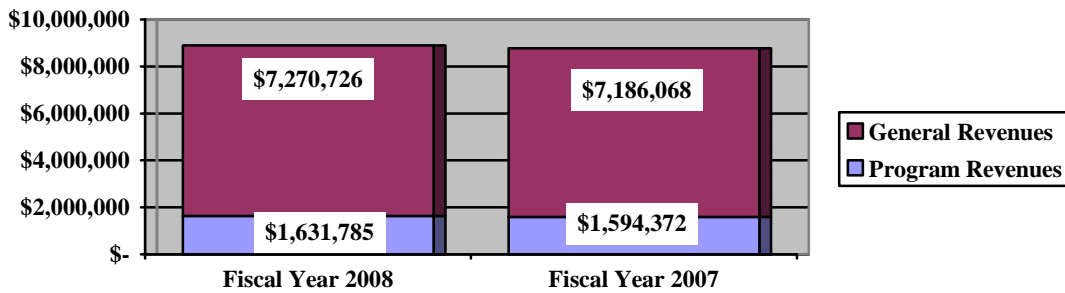
**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent, 81.16% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.06%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$4,521,673, which is less than last year's fund balance of \$4,607,578. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	Increase/ <u>(Decrease)</u>
General	\$ 4,052,753	\$ 4,008,563	\$ 44,190
Other Governmental	<u>468,920</u>	<u>599,015</u>	<u>(130,095)</u>
Total	<u>\$ 4,521,673</u>	<u>\$ 4,607,578</u>	<u>\$ (85,905)</u>

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

General Fund

The District's general fund balance increased \$44,190. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 2,267,453	\$ 2,310,406	(1.86) %
Tuition	297,069	267,143	11.20 %
Earnings on investments	177,907	223,775	(20.50) %
Intergovernmental	4,880,591	4,791,290	1.86 %
Other revenues	<u>39,462</u>	<u>30,402</u>	29.80 %
Total	<u>\$ 7,662,482</u>	<u>\$ 7,623,016</u>	0.52 %
<u>Expenditures</u>			
Instruction	\$ 4,965,403	\$ 4,322,563	14.87 %
Support services	2,452,073	2,527,644	(2.99) %
Extracurricular activities	199,200	192,993	3.22 %
Capital outlay	31,617	-	100.00 %
Debt service	<u>1,252</u>	<u>-</u>	100.00 %
Total	<u>\$ 7,649,545</u>	<u>\$ 7,043,200</u>	8.61 %

Earnings on investments decreased as a result of decreasing interest rates during the year. Tuition revenue increased due to increased open enrollment revenue. Instruction expenditures increased as a result of higher costs related to wages and benefits in the District. Capital outlay and Debt service increased due to the acquisition of a new capital lease. All other revenues and expenditures remained comparable to prior years.

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 2008, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$7,864,224, which is greater than the original budgeted revenues estimate of \$7,502,900. Actual revenues and other financing sources for fiscal year 2008 were \$7,871,812. This represents a \$7,588 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$10,862,387 these appropriations decreased to \$10,861,738 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$8,254,043, which was \$2,607,695 less than the final budget appropriations. The decreases in appropriations were caused by the District's worst case scenario budgeting method in the original and final budgets.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$5,997,725 invested in land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2008 balances compared to 2007 balances:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2008</u>	<u>2007</u>
Land improvements	\$ 124,608	\$ 97,676
Building and improvements	5,599,180	5,723,804
Furniture and equipment	132,221	114,390
Vehicles	<u>141,716</u>	<u>276,055</u>
Total	<u>\$ 5,997,725</u>	<u>\$ 6,211,925</u>

The overall decrease in capital assets is due to depreciation expense of \$339,026 exceeding capital outlays of \$124,826 for fiscal year 2008. See Note 9 for additional detail on capital assets.

Debt Administration

At June 30, 2008, the District had \$1,314,811 in bonds and \$30,737 in lease obligations outstanding. Of this total, \$115,538 is due within one year and \$1,345,548 is due in greater than one year. The following table summarizes the bonds outstanding:

Outstanding Debt, at Year End		
	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
Classroom facilities improvement bonds:		
Current interest	\$ 1,015,000	\$ 1,015,000
Capital appreciation	107,851	147,639
Accreted interest	191,960	232,926
Lease obligation	<u>30,737</u>	<u>-</u>
Total	<u>\$ 1,345,548</u>	<u>\$ 1,395,565</u>

At June 30, 2008, the District's overall legal debt margin was \$5,120,538 with an unvoted debt margin of \$65,518. See Note 11 for details of the District's long-term obligations.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Current Financial Related Activities

The District has been able to use a very conservative financial approach. The District operates at the 20 mil floor and has an inside millage rate of 4.5. The District does benefit from a 1.25% income tax that was passed in 1992. There have been no requests by the District to its voters since 1992.

The Board and administration closely monitor expenditures to stay in line with the five-year financial forecast. Cuts to operating budgets and cuts in staffing throughout the District have been employed during the past four years to avoid the need to seek additional money from the community. Rising health care insurance costs, fuel costs and teachers' salary increases and inconsistencies in the State legislature's funding for schools have made the "balancing act" a difficult one.

The Board and the administration have continued to monitor the State funding issue for schools. Of particular concern this year is the proposed Core Curriculum and the financial impact this would have on the District.

The District has experienced very little enrollment growth over the past five years. What growth has occurred has largely been offset by the loss of home school students. Another factor of student enrollment that has affected school funding is an increase in the number of students that are attending the vocational school.

The District continues to closely monitor income amounts. If the economy improves it is hoped that the income tax will surpass the current growth rate of 1/4 of 1% per year. This revenue growth will have to be factored with the inevitability of rising operating costs in the future. The five-year forecast anticipates that the District will be able to stay in the black in the immediate future with careful financial budgeting. The goal of the District remains to provide the best possible education for the dollars available.

The District relies on property taxes, entitlements and grants. Tax revenues have increased slightly, State revenues are steady and grants are decreasing. Expenditures are increasing at double the rate of revenue increases. As this trend continues, carryover funds will be depleted as of fiscal year 2013.

The majority of the tax revenue is derived from real estate and farming. The District is mainly rural and has a very small industrial base; however with reductions of tangible personal property the small amount derived from industry will be gone soon.

The facilities are overcrowded and have not been updated significantly to meet the enrollment needs and additional course offerings necessary to be academically proficient. The voters have rejected a plan for a new 7-12 facility to be partially paid by the Ohio School Facilities twice. The District is no longer eligible to receive funds from OSF so the Board has asked the voters to approve a bond issue to upgrade and add-to the current facility. This issue is for the total cost of the project and was rejected twice by the voters of the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Shirley Oney, Treasurer of South Central Local School District at 3305 Greenwich Angling Road, Greenwich, Ohio 44837.

**BASIC
FINANCIAL STATEMENTS**

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 4,697,094
Receivables:	
Taxes	1,750,938
Accounts	587
Intergovernmental	155,810
Accrued interest	2,302
Prepayments	11,322
Materials and supplies inventory	72,749
Capital assets, net.	5,997,725
 Total assets.	 12,688,527
Liabilities:	
Accounts payable.	91,578
Accrued wages and benefits	520,778
Pension obligation payable.	174,099
Intergovernmental payable	25,522
Accrued interest payable	4,737
Unearned revenue.	1,093,319
Long-term liabilities:	
Due within one year.	148,168
Due in more than one year	1,661,279
 Total liabilities	 3,719,480
Net Assets:	
Invested in capital assets, net of related debt.	4,844,137
Restricted for:	
Capital projects	15,964
Debt service.	352,666
Classroom facilities maintenance	39,735
State funded programs	33,203
Federally funded programs	83,472
Student activities	15,225
Public school support	20,623
Other purposes	454,598
Unrestricted.	3,109,424
 Total net assets	 \$ 8,969,047

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction:					
Regular	\$ 4,273,507	\$ 346,032	\$ 190,658	\$ -	\$ (3,736,817)
Special	482,286	-	469,124	-	(13,162)
Vocational	183,308	-	43,496	-	(139,812)
Other	630,969	-	14	-	(630,955)
Support services:					
Pupil	90,082	-	5,947	-	(84,135)
Instructional staff	113,226	207	7,035	-	(105,984)
Board of education	22,514	-	-	-	(22,514)
Administration	887,931	37,606	3,803	-	(846,522)
Fiscal	237,227	-	-	-	(237,227)
Operations and maintenance	715,347	120	1	-	(715,226)
Pupil transportation	617,299	-	21,179	6,582	(589,538)
Central	8,037	-	77	-	(7,960)
Operation of non-instructional services:					
Food service operations	415,800	193,788	194,796	-	(27,216)
Other non-instructional services	1,000	65	1,811	-	876
Extracurricular activities	332,707	108,138	1,306	-	(223,263)
Interest and fiscal charges	86,458	-	-	-	(86,458)
Total governmental activities	<u>\$ 9,097,698</u>	<u>\$ 685,956</u>	<u>\$ 939,247</u>	<u>\$ 6,582</u>	<u>(7,465,913)</u>
General Revenues:					
Property taxes levied for:					
General purposes					1,366,722
Debt service					186,819
Classroom maintenance					28,062
School district income taxes					922,372
Grants and entitlements not restricted to specific programs					4,566,184
Investment earnings					193,187
Miscellaneous					7,380
Total general revenues					<u>7,270,726</u>
Change in net assets					(195,187)
Net assets at beginning of year					<u>9,164,234</u>
Net assets at end of year					<u>\$ 8,969,047</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 3,605,371	\$ 637,125	\$ 4,242,496
Receivables:			
Taxes	1,561,165	189,773	1,750,938
Accounts	87	500	587
Intergovernmental	5,090	150,720	155,810
Accrued interest	2,302	-	2,302
Interfund loans	71,944	-	71,944
Advances to other funds	42,030	-	42,030
Prepayments	11,161	161	11,322
Materials and supplies inventory	60,000	12,749	72,749
Restricted assets:			
Equity in pooled cash and cash equivalents	454,598	-	454,598
 Total assets	 \$ 5,813,748	 \$ 991,028	 \$ 6,804,776
Liabilities:			
Accounts payable	\$ 82,239	\$ 9,339	\$ 91,578
Accrued wages and benefits	462,234	58,544	520,778
Compensated absences payable	7,339	4,857	12,196
Pension obligation payable	151,388	22,711	174,099
Intergovernmental payable	24,374	1,148	25,522
Interfund loans	-	71,944	71,944
Advance from other funds	-	42,030	42,030
Deferred revenue	88,767	162,870	251,637
Unearned revenue	944,654	148,665	1,093,319
 Total liabilities	 1,760,995	 522,108	 2,283,103
Fund Balances:			
Reserved for encumbrances	539,694	39,663	579,357
Reserved for materials and supplies inventory	60,000	12,749	72,749
Reserved for prepayments	11,161	161	11,322
Reserved for property tax unavailable for appropriation	187,476	27,072	214,548
Reserved for debt service	-	323,562	323,562
Reserved for advances	42,030	-	42,030
Reserved for BWC refunds	168,961	-	168,961
Reserved for school bus purchases	22,136	-	22,136
Reserved for capital maintenance	263,501	-	263,501
Unreserved:			
Designated for budget stabilization	477,010	-	477,010
Unreserved, undesignated, reported in:			
General fund	2,280,784	-	2,280,784
Special revenue funds	-	51,643	51,643
Capital projects funds	-	14,070	14,070
 Total fund balances	 4,052,753	 468,920	 4,521,673
 Total liabilities and fund balances	 \$ 5,813,748	 \$ 991,028	 \$ 6,804,776

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$	4,521,673
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,997,725
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	100,917	
Intergovernmental receivable		150,720	
		251,637	
Total			251,637
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(4,737)
Long-term liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		451,703	
General obligation bonds payable		1,314,811	
Capital lease payable		30,737	
		(1,797,251)	
Total			(1,797,251)
Net assets of governmental activities		\$	8,969,047

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Taxes	\$ 2,267,453	\$ 212,159	\$ 2,479,612
Tuition	297,069	-	297,069
Charges for services	-	193,788	193,788
Earnings on investments	177,907	19,880	197,787
Classroom materials and fees	31,989	21	32,010
Extracurricular	-	162,882	162,882
Other local revenues	7,473	27,956	35,429
Intergovernmental - State	4,880,591	57,456	4,938,047
Intergovernmental - Federal	-	458,084	458,084
Total revenues	7,662,482	1,132,226	8,794,708
Expenditures:			
Current:			
Instruction:			
Regular	3,875,213	284,045	4,159,258
Special	285,154	182,310	467,464
Vocational	174,067	1,015	175,082
Other	630,969	-	630,969
Support services:			
Pupil	80,450	9,632	90,082
Instructional staff	97,872	8,184	106,056
Board of education	22,514	-	22,514
Administration	791,743	41,648	833,391
Fiscal	221,065	4,747	225,812
Operations and maintenance	760,468	47,132	807,600
Pupil transportation	477,769	-	477,769
Central	192	245	437
Operation of non-instructional services:			
Food service operations	-	384,023	384,023
Other non-instructional services	-	1,000	1,000
Extracurricular activities	199,200	131,864	331,064
Capital outlay	31,617	-	31,617
Debt service:			
Principal retirement	880	110,000	110,880
Interest and fiscal charges	372	56,840	57,212
Total expenditures	7,649,545	1,262,685	8,912,230
Excess/(deficiency) of revenues over/(under) expenditures	12,937	(130,459)	(117,522)
Other financing sources (uses):			
Transfers in	-	364	364
Transfers (out)	(364)	-	(364)
Capital lease transaction	31,617	-	31,617
Total other financing sources (uses)	31,253	364	31,617
Net change in fund balances	44,190	(130,095)	(85,905)
Fund balances at beginning of year	4,008,563	599,015	4,607,578
Fund balances at end of year	\$ 4,052,753	\$ 468,920	\$ 4,521,673

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ (85,905)

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

Governmental funds report capital outlays 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 depreciation expense exceeded capital outlays in the current period.

Capital asset additions	\$	124,826	
Current year depreciation		<u>(339,026)</u>	
Total			(214,200)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes		24,363	
Intergovernmental revenue		<u>83,440</u>	
Total			107,803

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 110,880

Capital lease transactions are recorded as revenue in the funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (31,617)

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. (29,246)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (52,902)

Change in net assets of governmental activities \$ (195,187)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 2,230,052	\$ 2,337,446	\$ 2,339,702	\$ 2,256
Tuition.	283,195	296,833	297,119	286
Earnings on investments.	169,740	177,914	178,086	172
Classroom materials and fees	30,953	32,444	32,475	31
Other local revenues	6,843	7,172	7,179	7
Intergovernmental - State	4,652,839	4,876,910	4,881,616	4,706
Total revenues.	<u>7,373,622</u>	<u>7,728,719</u>	<u>7,736,177</u>	<u>7,458</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,999,534	4,923,038	3,925,072	997,966
Special.	385,981	386,034	281,203	104,831
Vocational.	353,768	279,017	185,349	93,668
Other.	490,000	690,911	632,474	58,437
Support services:				
Pupil.	173,567	137,867	82,816	55,051
Instructional staff	227,264	225,299	118,221	107,078
Board of education	50,000	41,757	22,561	19,196
Administration.	878,800	859,224	789,372	69,852
Fiscal	308,300	315,869	247,128	68,741
Operations and maintenance.	1,624,251	1,637,371	1,244,029	393,342
Pupil transportation	658,715	652,690	451,342	201,348
Central.	4,000	4,000	192	3,808
Extracurricular activities.	431,000	431,454	199,531	231,923
Facilities acquisition and construction.	47,231	47,231	-	47,231
Total expenditures	<u>10,632,411</u>	<u>10,631,762</u>	<u>8,179,290</u>	<u>2,452,472</u>
Excess/(deficiency) of revenues over/(under) expenditures.	<u>(3,258,789)</u>	<u>(2,903,043)</u>	<u>(443,113)</u>	<u>2,459,930</u>
Other financing sources (uses):				
Refund of prior year expenditure.	3,161	3,313	3,316	3
Advances in.	125,780	131,838	131,965	127
Transfers (out)	(29,976)	(29,976)	(364)	29,612
Advances (out)	(200,000)	(200,000)	(74,389)	125,611
Sale of assets.	337	354	354	-
Total other financing sources (uses)	<u>(100,698)</u>	<u>(94,471)</u>	<u>60,882</u>	<u>155,353</u>
Net change in fund balance	(3,359,487)	(2,997,514)	(382,231)	2,615,283
Fund balance at beginning of year.	3,528,424	3,528,424	3,528,424	-
Prior year encumbrances appropriated	318,197	318,197	318,197	-
Fund balance at end of year	<u>\$ 487,134</u>	<u>\$ 849,107</u>	<u>\$ 3,464,390</u>	<u>\$ 2,615,283</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 6,247	\$ 218,753
Receivables:		
Intergovernmental	-	8,431
Total assets.	6,247	\$ 227,184
Liabilities:		
Accounts payable.	-	\$ 135
Intergovernmental payable	-	1,283
Due to students	-	225,766
Total liabilities	-	\$ 227,184
Net Assets:		
Held in trust for scholarships	6,247	
Total net assets	\$ 6,247	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 248
Total additions.	248
Deductions:	
Scholarships awarded	301
Total deductions	301
Change in net assets	(53)
Net assets at beginning of year.	6,300
Net assets at end of year	\$ 6,247

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The South Central Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members and is responsible for the provision of public education to residents of the District. The District provides educational services as authorized by State statute and/or Federal guidelines.

The District is located in rural Huron County, and encompasses the communities of Greenwich and North Fairfield. The District is the 501st largest in the State of Ohio among 896 public and community schools in the State in terms of enrollment. It is staffed by 43 classified employees and 69 certified employees who provide services to 935 students and other community members. The District currently operates an elementary/middle school and a high school.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic 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. For 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of 41 public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (Association) is a public entity risk pool comprised of 14 districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, located at 2900 Columbus Avenue, Sandusky, Ohio 44870.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following is the District's only major governmental fund:

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 balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds, (b) for the accumulation of resources for, and payment of, general long-term debt, principal, interest and related costs, (c) for grants and other resources whose use is restricted to a particular purpose and (d) for food service operations.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds 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 only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

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.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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. Agency funds do not report a measurement focus as they do not report operations.

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 also use the accrual basis of accounting.

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (see Note 8).

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, interest, tuition, grants, student fees and rentals.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2008 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2008.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, first two digit function, and first digit object level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund, first two digit function and first digit object must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the first digit object level within each first two digit function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2008. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at fiscal year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the legal level of budgetary control.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2008. 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 shares price which is the price the investment could be sold for on June 30, 2008.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$177,907, which includes \$15,255 assigned from other funds.

For presentation on the basic 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 are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Interest incurred during the construction of capital assets is also capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District maintains a capitalization threshold of \$5,000.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the useful lives of the respective assets, which range between 5 and 50 years.

I. Interfund Balances

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

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. 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, are reported as obligations of the funds. However, compensated absences 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. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Fund Balance Reserves and Designations

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, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, debt service, advances, BWC refunds, school bus purchases and capital maintenance. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The District also has designated a portion of fund balance to budget stabilization.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include monies restricted by State statute for capital acquisitions, school bus purchases and BWC refunds.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a capital acquisition, school bus purchases and BWC refunds. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 18.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Interfund Activity

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 basic financial statements.

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 Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 15) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
EMIS	\$ 9
Title VI-B	51,881
Title I	26,886
Title VI	5,106
Reducing class size	6,376
SchoolNet	1,894

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances are the result of adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$11,900. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$5,903 of the District's bank balance of \$105,903 was exposed to custodial risk as discussed below, while \$100,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	<u>\$ 4,910,194</u>	<u>\$ 4,910,194</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 4,910,194</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,900
Investments	<u>4,910,194</u>
Total	<u>\$ 4,922,094</u>

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,697,094
Private-purpose trust fund	6,247
Agency fund	<u>218,753</u>
 Total	 <u>\$ 4,922,094</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2008 as reported on the fund statements consist of the following individual interfund loans receivable and payable.

<u>Receivable fund</u>	<u>Payable fund</u>	
General fund	Nonmajor governmental funds	<u>\$ 71,944</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B.** Advances to/from other funds consisted of the following at June 30, 2008, as reported on the fund financial statements. The underlying advances were made in a prior year and have not been repaid as of June 30, 2008.

<u>Receivable fund</u>	<u>Payable fund</u>	
General fund	Nonmajor governmental funds	<u>\$ 42,030</u>

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- C.** Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	
Nonmajor governmental funds	<u>\$ 364</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Huron, Richland and Crawford Counties. 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

The amount available as an advance at June 30, 2008 was \$187,476 in the general fund \$23,240 in the debt service fund (a nonmajor governmental fund) and \$3,832 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$200,823 in the general fund, \$2,822 in the debt service fund (a nonmajor governmental fund) and \$3,741 in the classroom facilities maintenance fund (a nonmajor governmental fund).

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real property - commercial/industrial	\$ 4,622,370	6.81	\$ 4,557,140	6.88
Real property - residential/agricultural	58,252,580	85.80	59,214,890	89.44
Real property - public utilities	202,450	0.30	217,780	0.33
Personal property - general	1,130,582	1.67	2,216,440	3.35
Personal property - public utilities	<u>3,688,260</u>	<u>5.42</u>	<u>-</u>	<u>-</u>
Total assessed value	<u>\$ 67,896,242</u>	<u>100.00</u>	<u>\$ 66,206,250</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:		\$37.55		\$37.55

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consist of taxes, accounts, intergovernmental grants and entitlements 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. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 1,750,938
Accounts	587
Intergovernmental	155,810
Accrued interest	<u>2,302</u>
Total	<u>\$ 1,909,637</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - INCOME TAXES

The District levies a voted income tax of 1.25 percent on the income of residents and on estates for general operations of the District. The income tax became effective on January 1, 1991 and is a continuing tax. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the state, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$922,372 for fiscal year 2008. Taxes receivable reported in the basic financial statements includes \$348,901 of income tax receivable.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/08</u>
Governmental activities				
<i>Capital assets:</i>				
Land and land improvements	\$ 288,585	\$ 37,245	\$ -	\$ 325,830
Buildings and improvements	7,963,326	35,230	-	7,998,556
Furniture and equipment	339,721	52,351	-	392,072
Vehicles	<u>1,094,836</u>	<u>-</u>	<u>-</u>	<u>1,094,836</u>
Total capital assets	<u>9,686,468</u>	<u>124,826</u>	<u>-</u>	<u>9,811,294</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(190,909)	(10,313)	-	(201,222)
Buildings and improvements	(2,239,522)	(159,854)	-	(2,399,376)
Furniture and equipment	(225,331)	(34,520)	-	(259,851)
Vehicles	<u>(818,781)</u>	<u>(134,339)</u>	<u>-</u>	<u>(953,120)</u>
Total accumulated depreciation	<u>(3,474,543)</u>	<u>(339,026)</u>	<u>-</u>	<u>(3,813,569)</u>
Governmental activities capital assets, net	<u>\$ 6,211,925</u>	<u>\$ (214,200)</u>	<u>\$ -</u>	<u>\$ 5,997,725</u>

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 69,789
Special	16,960
Vocational	8,226

Support services:

Instructional staff	7,170
Administration	49,518
Operations and maintenance	12,318
Pupil transportation	134,339
Central	7,600
Extracurricular activities	1,643
Food service operations	<u>31,463</u>
Total depreciation expense	<u>\$ 339,026</u>

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

The District has entered into a capital lease for copier equipment. The lease agreement meets the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$31,617. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2008 was \$6,323, leaving a current book value of \$25,294. A corresponding liability was recorded on the statement of net assets. Principal payments in the 2008 fiscal year totaled \$880 paid by the general fund.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 7,514
2010	7,514
2011	7,514
2012	7,514
2013	<u>6,261</u>
Total minimum lease payments	36,317
Less: Amount representing interest	<u>(5,580)</u>
Total	<u>\$ 30,737</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	<u>Balance 07/01/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/08</u>	<u>Amounts Due in One Year</u>
Governmental activities:					
Series 1996 classroom facilities improvement bonds	\$ 1,395,565	\$ 29,246	\$ (110,000)	\$ 1,314,811	\$ 110,000
Capital lease payable	-	31,617	(880)	30,737	5,538
Compensated absences	<u>443,183</u>	<u>68,930</u>	<u>(48,214)</u>	<u>463,899</u>	<u>32,630</u>
Total governmental activities					
Long-term obligations	<u>\$ 1,838,748</u>	<u>\$ 129,793</u>	<u>\$ (159,094)</u>	<u>\$ 1,809,447</u>	<u>\$ 148,168</u>

Compensated absences: Compensated absences will be paid from the fund from which the employees' salaries are paid, which consists of the general fund and Title VI-B fund.

Capital lease payable: Capital leases will be paid from the general fund (see Note10.)

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Series 1996 classroom facilities improvement general obligation bonds

The Series 1996 classroom facilities improvement general obligation bond issue is comprised of both current interest bonds, par value \$1,795,000, and capital appreciation bonds, par value \$560,000. Interest rates on the current interest bonds range from 3.60% to 5.60%. During fiscal year 2008, capital appreciation bonds of \$39,788 matured with a total amount of accreted interest of \$70,212. The remaining capital appreciation bonds mature on December 1, 2008, 2009 and 2010 (effective interest ranging from 8.752% to 9.514%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity of the capital appreciation bonds is \$560,000. A total of \$191,960 in accreted interest on the capital appreciation bonds has been included as long-term liabilities on the statement of net assets at June 30, 2008.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2017.

The following is a schedule of activity for fiscal year 2008 on for the Series 1996 classroom facilities improvement bonds

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2008</u>
Current interest bonds	\$ 1,015,000	\$ -	\$ -	\$ 1,015,000
Capital appreciation bonds	147,639	-	(39,788)	107,851
Accreted interest	<u>232,926</u>	<u>29,246</u>	<u>(70,212)</u>	<u>191,960</u>
Total G.O. bonds	<u>\$ 1,395,565</u>	<u>\$ 29,246</u>	<u>\$ (110,000)</u>	<u>\$ 1,314,811</u>

The following is a summary of the District's future annual debt service requirements to maturity for the Series 1996 classroom facilities improvement bonds:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
	Ending June 30,	Principal	Interest	Total	Principal	Interest
2009	\$ -	\$ 56,840	\$ 56,840	\$ 37,298	\$ 72,702	\$ 110,000
2010	-	56,840	56,840	36,484	78,516	115,000
2011	-	56,840	56,840	34,069	80,931	115,000
2012	115,000	53,620	168,620	-	-	-
2013	125,000	46,900	171,900	-	-	-
2014 - 2018	<u>775,000</u>	<u>114,100</u>	<u>889,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,015,000</u>	<u>\$ 385,140</u>	<u>\$ 1,400,140</u>	<u>\$ 107,851</u>	<u>\$ 232,149</u>	<u>\$ 340,000</u>

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$5,120,538 (including available funds of \$346,802) and an unvoted debt margin of \$65,518.

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from Board policy, negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon the length of service. School support personnel accumulate vacation based upon the length of service as follows:

<u>Length of Service</u>	<u>Vacation Leave</u>
After 11 Months	5 Days
13 to 84 Months	10 Days
7-15 Years	15 Days
15-20 Years	20 Days
20-25 Years	25 Days

Vacation Pay: A support staff employee may accrue vacation leave over a period of two years. The employee may be paid for the unused portion of the vacation annually. Upon separation from employment the employee may be compensated for unused vacation accrued during the two years prior to their separation.

Sick Leave: Each employee receives a minimum of 5 days of sick leave per year. Up to 15 days of sick leave can be earned per year based upon length of service up to a maximum of 240 days. An employee may be compensated for unused sick leave based upon a set percentage which gives consideration for length of service.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% coinsured.

During fiscal year 2008, the District purchased general liability insurance which carried a \$1 million per occurrence/\$3 million general aggregate limit with an additional \$3 million umbrella coverage. Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded. Settled claims resulting from these risks have not exceeded commercial coverage in any of the prior three fiscal years. Also, coverages have not been materially reduced from fiscal year 2007.

B. Health Benefits

The District joined together with other area school districts to form the Huron-Erie School Employees Insurance Association, a public entity risk management and employee health benefits program for 14 member school districts. The District pays a monthly premium to the pool for health, life, dental and vision insurance, including prescription coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums, and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$200,000 for any employee.

In the event of withdrawal, the District shall assume and be responsible for payment of all claims of its eligible employees, families and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

C. Ohio School Board Association Workers' Compensation Group Rating Program

For fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

Plan Description - 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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at 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 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$83,696, \$90,005 and \$88,636, respectively; 42.79 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, 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 a member's lifetime 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 14 - PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, 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, 2008, 2007 and 2006 were \$461,417, \$434,290 and \$438,078, respectively; 83.56 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were zero made by the District and \$9,232 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$51,746, \$43,736 and \$45,034, respectively; 42.79 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$6,030, \$6,120 and \$7,055, respectively; 42.79 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$35,494, \$33,407 and \$33,698, respectively; 83.56 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).
- (d) Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (382,231)
Net adjustment for revenue accruals	(73,695)
Net adjustment for expenditure accruals	(65,780)
Net adjustment for other sources/uses	(29,629)
Adjustment for encumbrances	<u>595,525</u>
GAAP basis	<u>\$ 44,190</u>

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 18 - STATUTORY 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Maintenance</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2007	\$ (123,201)	\$ 307,726	\$ 168,961
Current year set-aside requirement	141,775	141,775	-
Current year offsets	-	(110,000)	-
Qualifying disbursements	<u>(457,424)</u>	<u>(76,000)</u>	<u>-</u>
 Total	 <u>\$ (438,850)</u>	 <u>\$ 263,501</u>	 <u>\$ 168,961</u>
 Balance carried forward to FY 2009	 <u>\$ (438,850)</u>	 <u>\$ 263,501</u>	 <u>\$ 168,961</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the textbook/instructional materials reserve, this extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to next fiscal year.

The District also had \$22,136 restricted for school bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2008 follows:

Amount restricted for capital maintenance	\$ 263,501
Amount restricted for BWC refunds	168,961
Amount restricted for school bus purchases	<u>22,136</u>
 Total restricted assets	 <u>\$ 454,598</u>
 Amount designated for budget stabilization	 <u>\$ 477,010</u>

SUPPLEMENTARY DATA

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Nutrition Cluster:				
(C) Food Donation	10.550	2008	\$ 32,667	\$ 32,667
(D) (E) School Breakfast Program	10.553	2007	2,314	2,314
(D) (E) School Breakfast Program	10.553	2008	21,163	21,163
(D) (E) Total School Breakfast Program			<u>23,477</u>	<u>23,477</u>
(D) (E) National School Lunch Program	10.555	2007	14,923	14,923
(D) (E) National School Lunch Program	10.555	2008	134,526	134,526
Total National School Lunch Program			<u>149,449</u>	<u>149,449</u>
Total Nutrition Cluster			<u>172,926</u>	<u>172,926</u>
Total U.S. Department of Agriculture and Nutrition Cluster			<u>205,593</u>	<u>205,593</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2007	59,633	15,661
Title I Grants to Local Educational Agencies	84.010	2008	89,210	108,939
Total Title I Grants to Local Educational Agencies			<u>148,843</u>	<u>124,600</u>
Special Education_Grants to State:	84.027	2006	-	416
Special Education_Grants to State:	84.027	2007	74,103	24,812
Special Education_Grants to State:	84.027	2008	105,864	131,034
Total Special Education_Grants to States			<u>179,967</u>	<u>156,262</u>
Safe and Drug-Free Schools and Communities_State Grant:	84.186	2007	3,084	3,410
Safe and Drug-Free Schools and Communities_State Grant:	84.186	2008	3,362	-
Total Safe and Drug-Free Schools and Communities			<u>6,446</u>	<u>3,410</u>
State Grants for Innovative Program:	84.298	2007	1,102	-
State Grants for Innovative Program:	84.298	2008	123	1,149
Total State Grants for Innovative Program:			<u>1,225</u>	<u>1,149</u>
Education Technology State Grants	84.318	2006	-	305
Education Technology State Grants	84.318	2007	1,149	1,275
Education Technology State Grants	84.318	2008	1,064	1,735
Total Education Technology State Grants:			<u>2,213</u>	<u>3,315</u>
Improving Teacher Quality State Grant:	84.367	2007	15,356	5,912
Improving Teacher Quality State Grant:	84.367	2008	53,280	51,530
Total Improving Teacher Quality State Grant			<u>68,636</u>	<u>57,442</u>
Total U.S. Department of Education			<u>407,330</u>	<u>346,178</u>
Total Federal Financial Assistance			<u>\$ 612,923</u>	<u>\$ 551,771</u>

- (A) OAKS did not assign pass-through numbers for fiscal year 2008.
(B) This schedule was prepared on the cash basis of accounting
(C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value
(D) Included as part of "Nutrition Grant Cluster" in determining major program:
(E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Education
South Central Local School District
3305 Greenwich Angling Road
Greenwich, Ohio 44837

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of South Central Local School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise South Central Local School District's basic financial statements and have issued our report thereon dated December 16, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Central Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Central Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of South Central Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects South Central Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of South Central Local School District's financial statements that is more than inconsequential will not be prevented or detected by South Central Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by South Central Local School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

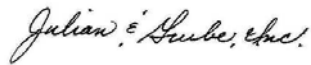
Board of Education
South Central Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Central Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to the management of South Central Local School District in a separate letter dated December 16, 2008.

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



Julian & Grube, Inc.
December 16, 2008



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Report on Compliance With Requirements Applicable to Each of Its Major Programs and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Education
South Central Local School District
3305 Greenwich Angling Road
Greenwich, Ohio 44837

Compliance

We have audited the compliance of South Central Local School District, Huron County, Ohio with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. South Central Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of South Central Local School District's management. Our responsibility is to express an opinion on South Central Local School District's compliance based on our audit.

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

In our opinion, South Central Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of South Central Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered South Central Local School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Central Local School District's internal control over compliance.

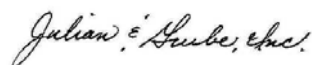
Board of Education
South Central Local School District

A control deficiency in South Central Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects South Central Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by South Central Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by South Central Local School District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Julian & Grube, Inc.
December 16, 2008

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Nutrition Cluster - School Breakfast Program - CFDA #10.553 and National School Lunch Program - CFDA #10.555; Special Education - Grants to States - CFDA #84.027
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



Mary Taylor, CPA
Auditor of State

SOUTH CENTRAL LOCAL SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 22, 2009**