

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012***

**BETH LYKINS, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the South Central Local School District, Huron County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 to June 30, 2012. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

January 25, 2013

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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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 Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the South Central Local School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the South Central Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 the South Central Local School District, Huron County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the 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 14, 2012 on our consideration of the South Central Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the South Central Local School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards provides additional information required by the 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. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.  
December 14, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012. 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 fiscal year 2012 are as follows:

- In total, net assets of governmental activities decreased \$607,344 which represents a 7.45% decrease from 2011.
- General revenues accounted for \$7,011,256 in revenue or 77.83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,997,342 or 22.17% of total revenues of \$9,008,598.
- The District had \$9,615,942 in expenses related to governmental activities; only \$1,997,342 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,011,256 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,569,282 in revenues and \$8,035,147 in expenditures. During fiscal year 2012, the general fund's fund balance decreased \$465,865 from a balance of \$2,894,483 to \$2,428,618.

**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 2012?" 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, 2012**

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 22-50 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**The District as a Whole**

The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

	<b>Net Assets</b>	
	Governmental Activities 2012	Governmental Activities 2011
<b><u>Assets</u></b>		
Current and other assets	\$ 5,272,209	\$ 5,371,605
Capital assets, net	<u>5,833,341</u>	<u>6,062,551</u>
Total assets	<u>11,105,550</u>	<u>11,434,156</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,096,059	1,712,016
Long-term liabilities	<u>1,462,371</u>	<u>1,567,676</u>
Total liabilities	<u>3,558,430</u>	<u>3,279,692</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	4,988,081	5,044,572
Restricted	506,400	578,127
Unrestricted	<u>2,052,639</u>	<u>2,531,765</u>
Total net assets	<u>\$ 7,547,120</u>	<u>\$ 8,154,464</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$7,547,120. At year end, unrestricted net assets were \$2,052,639.

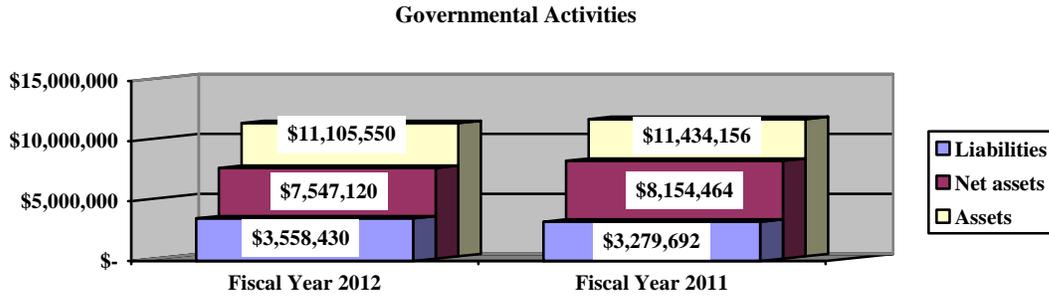
At year-end, capital assets represented 52.53% of total assets. Capital assets include land and land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012 were \$4,988,081. These capital assets are used 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, \$506,400, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,052,639 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, 2012**

The graph below illustrates the District's governmental activities assets, liabilities and net assets at June 30, 2012 and June 30, 2011:



The table below shows the change in net assets for fiscal year 2012 compared to fiscal year 2011.

	<b>Change in Net Assets</b>	
	Governmental Activities 2012	Governmental Activities 2011
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 572,613	\$ 607,293
Operating grants and contributions	1,424,729	2,165,762
General revenues:		
Property taxes	1,463,819	1,547,505
School district income taxes	990,438	891,621
Grants and entitlements	4,516,511	4,550,515
Investment earnings	9,206	13,491
Other	31,282	25,937
Total revenues	<u>9,008,598</u>	<u>9,802,124</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Change in Net Assets**

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,914,336	\$ 4,041,246
Special	559,287	559,971
Vocational	185,907	185,223
Other	781,252	818,964
Support services:		
Pupil	344,510	444,649
Instructional staff	483,378	357,340
Board of education	24,284	31,091
Administration	810,067	773,909
Fiscal	237,817	234,479
Operations and maintenance	789,233	775,658
Pupil transportation	684,699	693,844
Central	286	11,035
Operations of non-instructional services:		
Food service operations	431,561	416,443
Other non-instructional services	9,500	8,150
Extracurricular activities	314,576	300,236
Interest and fiscal charges	<u>45,249</u>	<u>48,036</u>
Total expenses	<u>9,615,942</u>	<u>9,700,274</u>
Change in net assets	(607,344)	101,850
Net assets at beginning of year	<u>8,154,464</u>	<u>8,052,614</u>
Net assets at end of year	<u><u>\$ 7,547,120</u></u>	<u><u>\$ 8,154,464</u></u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$607,344. Total governmental expenses of \$9,615,942 were offset only partially by program revenues of \$1,997,342 and general revenues of \$7,011,256. Program revenues supported 20.77% of the total governmental expenses.

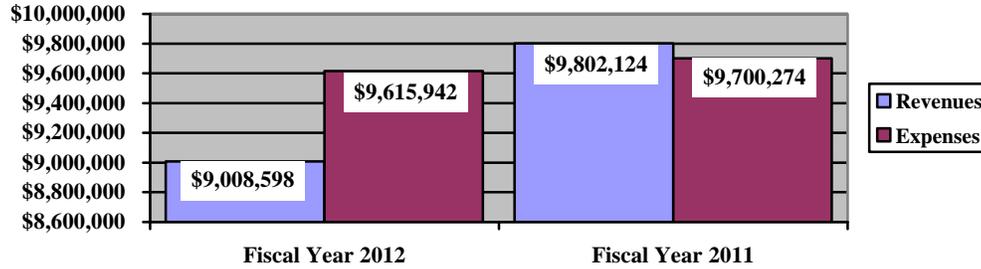
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These three revenue sources represent 77.38% of total governmental revenue. In the area of program revenues, the decrease in operating grants and contributions is due to a decrease in federal grant revenue from the funds education jobs, education stabilization and stimulus title II D.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.

**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 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,914,336	\$ 3,330,281	4,041,246	\$ 2,743,654
Special	559,287	(52,105)	559,971	(181,539)
Vocational	185,907	149,467	185,223	148,783
Other	781,252	781,252	818,964	818,964
Support services:				
Pupil	344,510	336,728	444,649	372,147
Instructional staff	483,378	286,959	357,340	273,571
Board of education	24,284	24,284	31,091	31,091
Administration	810,067	776,070	773,909	720,242
Fiscal	237,817	237,432	234,479	234,479
Operations and maintenance	789,233	781,131	775,658	772,160
Pupil transportation	684,699	645,897	693,844	668,712
Central	286	286	11,035	11,035
Operations of non-instructional services:				
Food service operations	431,561	51,858	416,443	45,632
Other non-instructional services	9,500	9,500	8,150	8,150
Extracurricular activities	314,576	214,311	300,236	212,102
Interest and fiscal charges	45,249	45,249	48,036	48,036
<b>Total expenses</b>	<u>\$ 9,615,942</u>	<u>\$ 7,618,600</u>	<u>\$ 9,700,274</u>	<u>\$ 6,927,219</u>

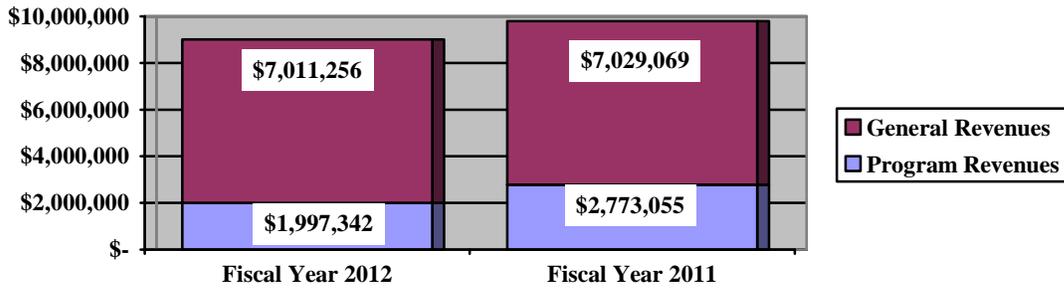
**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The dependence upon tax and other general revenues for governmental activities is apparent, 77.36% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.23%. The District's taxpayers, 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 2012 and 2011.

**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 \$2,876,229, which is less than last year's fund balance of \$3,358,416. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	<u>Decrease</u>
General	\$ 2,428,618	\$ 2,894,483	\$ (465,865)
Other Governmental	<u>447,611</u>	<u>463,933</u>	<u>(16,322)</u>
Total	<u>\$ 2,876,229</u>	<u>\$ 3,358,416</u>	<u>\$ (482,187)</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

***General Fund***

The District's general fund balance decreased \$465,865. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 2,233,769	\$ 2,272,309	(1.70) %
Tuition	293,803	313,622	(6.32) %
Earnings on investments	4,185	12,253	(65.85) %
Intergovernmental	4,954,189	4,991,736	(0.75) %
Other revenues	<u>83,336</u>	<u>90,288</u>	(7.70) %
Total	<u>\$ 7,569,282</u>	<u>\$ 7,680,208</u>	(1.44) %
<b><u>Expenditures</u></b>			
Instruction	\$ 4,827,657	\$ 4,399,008	9.74 %
Support services	2,974,581	2,997,177	(0.75) %
Operation of non-instructional services	9,500	8,150	16.56 %
Extracurricular activities	215,895	216,099	(0.09) %
Debt service	<u>7,514</u>	<u>7,514</u>	- %
Total	<u>\$ 8,035,147</u>	<u>\$ 7,627,948</u>	5.34 %

Earnings on investments decreased due to a decline in interest rates of the investments. Instructional expenses increased due to normal increases in the cost of student instruction. 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.

For the general fund, final budgeted revenues and other financing sources were \$7,550,480, which is less than the original budgeted estimate of \$7,656,714. Actual revenues and other financing sources for fiscal year 2012 were \$7,550,480 which matches the final budgeted revenues.

General fund original appropriations of \$10,520,995 decreased to \$10,384,042 in the final budget. The actual budget basis expenditures for fiscal year 2012 totaled \$7,756,676, which was \$2,627,366 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, 2012

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2012, the District had \$5,833,341 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2012 balances compared to 2011 balances:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 37,245	\$ 37,245
Land improvements	612,781	656,721
Buildings and improvements	5,026,879	5,182,038
Furniture and equipment	79,044	86,107
Vehicles	<u>77,392</u>	<u>100,440</u>
<b>Total</b>	<b><u>\$ 5,833,341</u></b>	<b><u>\$ 6,062,551</u></b>

The overall decrease in capital assets is due to the District having new capital outlays of \$12,655 and depreciation expense of \$241,865 for fiscal year 2012. See Note 9 for additional detail on capital assets.

***Debt Administration***

At June 30, 2012, the District had \$891,618 in bonds and \$6,065 in lease obligations outstanding. Of this total, \$132,683 is due within one year and \$765,000 is due in greater than one year. The following table summarizes the bonds outstanding:

	<b>Outstanding Debt, at Year End</b>	
	Governmental	Governmental
	Activities	Activities
	<u>2012</u>	<u>2011</u>
Classroom facilities improvement bonds:		
Refunding	\$ 765,000	\$ 895,000
Capital appreciation	64,999	64,999
Accreted interest	61,619	38,571
Lease obligation	<u>6,065</u>	<u>12,893</u>
<b>Total</b>	<b><u>\$ 897,683</u></b>	<b><u>\$ 1,011,463</u></b>

At June 30, 2012, the District's overall legal debt margin was \$6,350,184 with an unvoted debt margin of \$75,820. 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, 2012**

**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 attrition in staffing throughout the District have been employed during the past years to avoid the need to seek additional money from the community. Rising health care insurance costs, operating costs, 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. The District has experienced decreased enrollment growth over the past few years. Another factor of student enrollment that has effected school funding is an increase in the number of students that are attending the vocational school, leaving the district due to open enrollment, and attending online public "charter or community" schools.

The District continues to closely monitor income amounts. The income tax revenues have begun to improve and are showing increases but have not reached pre-recession levels. The five-year forecast shows the District operating at a deficit in fiscal years 2013 and 2014. The District will have a small balance of \$11,287 in 2015 and a small deficit in both 2016 and 2017. The District does not have a permanent improvement levy and must use general fund dollars to fund major capital improvements, which is contributing to the deficits in the general fund. The Board anticipates returning to a positive amount in the immediate future with careful financial budgeting so long as state funding does not decline. 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 due to a change in the Current Agricultural Use Value (CAUV) valuations. State revenues will decrease in fiscal year 2013 with the elimination of the stimulus funds that were supplanting foundation funds in fiscal year 2010 and fiscal year 2011 and education jobs grant money in fiscal year 2012. The reimbursement of the Tangible Property Tax will be completely phased out by fiscal year 2013 instead of phasing out over the years until fiscal year 2017. Federal grants are decreasing. Expenditures are increasing. As this trend continues, carryover funds will be depleted as of fiscal year 2016. 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.

**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. Beth Lykins, Treasurer of South Central Local School District at 3305 Greenwich Angling Road, Greenwich, Ohio 44837.

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

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 3,073,834
Receivables:	
Property taxes . . . . .	1,554,288
Income taxes. . . . .	378,220
Accounts. . . . .	265
Intergovernmental . . . . .	199,506
Accrued interest . . . . .	5,052
Prepayments . . . . .	14,381
Materials and supplies inventory. . . . .	17,799
Unamortized bond issuance costs . . . . .	28,864
Capital assets:	
Land. . . . .	37,245
Depreciable capital assets, net. . . . .	5,796,096
Total capital assets, net . . . . .	<u>5,833,341</u>
 Total assets. . . . .	 <u>11,105,550</u>
 <b>Liabilities:</b>	
Accounts payable. . . . .	38,347
Accrued wages and benefits . . . . .	657,519
Pension obligation payable. . . . .	178,074
Intergovernmental payable . . . . .	25,615
Accrued interest payable . . . . .	1,810
Unearned revenue . . . . .	1,194,694
Long-term liabilities:	
Due within one year. . . . .	189,963
Due in more than one year. . . . .	1,272,408
 Total liabilities . . . . .	 <u>3,558,430</u>
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	4,988,081
Restricted for:	
Capital projects . . . . .	15,650
Debt service. . . . .	366,881
Classroom facilities maintenance . . . . .	48,038
State funded programs. . . . .	7,671
Federally funded programs . . . . .	33,181
Student activities . . . . .	29,978
Other purposes . . . . .	5,001
Unrestricted. . . . .	<u>2,052,639</u>
 Total net assets . . . . .	 <u>\$ 7,547,120</u>

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, 2012

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 3,914,336	\$ 307,003	\$ 277,052	\$ (3,330,281)
Special . . . . .	559,287	2,802	608,590	52,105
Vocational . . . . .	185,907	-	36,440	(149,467)
Other . . . . .	781,252	-	-	(781,252)
Support services:				
Pupil . . . . .	344,510	-	7,782	(336,728)
Instructional staff . . . . .	483,378	-	196,419	(286,959)
Board of education . . . . .	24,284	-	-	(24,284)
Administration . . . . .	810,067	33,997	-	(776,070)
Fiscal . . . . .	237,817	-	385	(237,432)
Operations and maintenance . . . . .	789,233	-	8,102	(781,131)
Pupil transportation . . . . .	684,699	-	38,802	(645,897)
Central . . . . .	286	-	-	(286)
Operation of non-instructional services:				
Food service operations . . . . .	431,561	129,546	250,157	(51,858)
Other non-instructional services . . . . .	9,500	-	-	(9,500)
Extracurricular activities . . . . .	314,576	99,265	1,000	(214,311)
Interest and fiscal charges . . . . .	45,249	-	-	(45,249)
<b>Totals . . . . .</b>	<b>\$ 9,615,942</b>	<b>\$ 572,613</b>	<b>\$ 1,424,729</b>	<b>(7,618,600)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	1,311,722
Debt service . . . . .	125,989
Special revenue . . . . .	26,108
School district income taxes . . . . .	990,438
Grants and entitlements not restricted	
to specific programs . . . . .	4,516,511
Investment earnings . . . . .	9,206
Miscellaneous . . . . .	31,282
<b>Total general revenues . . . . .</b>	<b>7,011,256</b>
Change in net assets . . . . .	(607,344)
<b>Net assets at beginning of year . . . . .</b>	<b>8,154,464</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 7,547,120</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 2,612,680	\$ 456,153	\$ 3,068,833
Receivables:			
Property taxes . . . . .	1,392,702	161,586	1,554,288
Income taxes . . . . .	378,220	-	378,220
Accounts . . . . .	265	-	265
Intergovernmental . . . . .	9,126	190,380	199,506
Accrued interest . . . . .	5,052	-	5,052
Prepayments . . . . .	14,381	-	14,381
Materials and supplies inventory . . . . .	12,985	4,814	17,799
Due from other funds . . . . .	123,379	-	123,379
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	5,001	-	5,001
Total assets . . . . .	<u>\$ 4,553,791</u>	<u>\$ 812,933</u>	<u>\$ 5,366,724</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 34,857	\$ 3,490	\$ 38,347
Accrued wages and benefits . . . . .	604,475	53,044	657,519
Compensated absences payable . . . . .	31,601	-	31,601
Pension obligation payable . . . . .	157,892	20,182	178,074
Intergovernmental payable . . . . .	23,041	2,574	25,615
Due to other funds . . . . .	-	123,379	123,379
Deferred revenue . . . . .	202,442	38,824	241,266
Unearned revenue . . . . .	1,070,865	123,829	1,194,694
Total liabilities . . . . .	<u>2,125,173</u>	<u>365,322</u>	<u>2,490,495</u>
<b>Fund Balances:</b>			
Nonspendable:			
Materials and supplies inventory . . . . .	12,985	4,814	17,799
Prepayments . . . . .	14,381	-	14,381
Restricted:			
Debt service . . . . .	-	356,411	356,411
Capital improvements . . . . .	-	15,650	15,650
Classroom facilities maintenance . . . . .	-	45,575	45,575
Special education . . . . .	-	2,947	2,947
Extracurricular . . . . .	-	29,978	29,978
Other purposes . . . . .	-	14,497	14,497
School bus purchases . . . . .	5,001	-	5,001
Assigned:			
Student instruction . . . . .	2,588	-	2,588
Student and staff support . . . . .	45,892	-	45,892
Subsequent year appropriation . . . . .	560,388	-	560,388
Public school support . . . . .	10,629	-	10,629
Uniform school supplies . . . . .	1,083	-	1,083
Adult education . . . . .	385	-	385
Other purposes . . . . .	8,925	-	8,925
Unassigned (deficit) . . . . .	1,766,361	(22,261)	1,744,100
Total fund balances . . . . .	<u>2,428,618</u>	<u>447,611</u>	<u>2,876,229</u>
Total liabilities and fund balances . . . . .	<u>\$ 4,553,791</u>	<u>\$ 812,933</u>	<u>\$ 5,366,724</u>

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, 2012

<b>Total governmental fund balances</b>		\$	2,876,229
<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.			5,833,341
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	140,403	
Income taxes receivable		62,799	
Accrued interest receivable		4,857	
Intergovernmental receivable		33,207	
Total		241,266	241,266
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(1,810)
Unamortized premiums on bond issuance are not recognized in the funds.			(47,840)
Unamortized bond issuance costs are not recognized in the funds.			28,864
Unamortized deferred charges on refundings are not recognized in the funds.			9,780
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		(495,027)	
General obligation bonds payable		(891,618)	
Capital lease payable		(6,065)	
Total		(1,392,710)	(1,392,710)
<b>Net assets of governmental activities</b>		\$	7,547,120

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, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 1,306,130	\$ 151,451	\$ 1,457,581
Income taxes . . . . .	927,639	-	927,639
Tuition . . . . .	293,803	-	293,803
Charges for services . . . . .	-	129,546	129,546
Earnings on investments . . . . .	4,185	1,074	5,259
Classroom materials and fees . . . . .	16,002	-	16,002
Extracurricular . . . . .	36,052	97,210	133,262
Contributions and donations . . . . .	25,519	1,302	26,821
Other local revenues . . . . .	5,763	-	5,763
Intergovernmental - State . . . . .	4,954,189	40,320	4,994,509
Intergovernmental - Federal . . . . .	-	1,012,367	1,012,367
Total revenues . . . . .	<u>7,569,282</u>	<u>1,433,270</u>	<u>9,002,552</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	3,582,077	291,107	3,873,184
Special . . . . .	281,370	275,991	557,361
Vocational . . . . .	182,958	-	182,958
Other . . . . .	781,252	-	781,252
Support services:			
Pupil . . . . .	334,674	9,836	344,510
Instructional staff . . . . .	285,407	196,040	481,447
Board of education . . . . .	24,284	-	24,284
Administration . . . . .	748,462	1,402	749,864
Fiscal . . . . .	228,017	4,900	232,917
Operations and maintenance . . . . .	688,424	17,932	706,356
Pupil transportation . . . . .	665,027	-	665,027
Central . . . . .	286	-	286
Operation of non-instructional services:			
Food service operations . . . . .	-	401,996	401,996
Other non-instructional services . . . . .	9,500	-	9,500
Extracurricular activities . . . . .	215,895	97,038	312,933
Debt service:			
Principal retirement . . . . .	6,828	130,000	136,828
Interest and fiscal charges . . . . .	686	23,350	24,036
Total expenditures . . . . .	<u>8,035,147</u>	<u>1,449,592</u>	<u>9,484,739</u>
Net change in fund balances . . . . .	(465,865)	(16,322)	(482,187)
<b>Fund balances at beginning of year . . . . .</b>	<b>2,894,483</b>	<b>463,933</b>	<b>3,358,416</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 2,428,618</b>	<b>\$ 447,611</b>	<b>\$ 2,876,229</b>

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, 2012

**Net change in fund balances - total governmental funds** \$ (482,187)

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

Governmental funds report capital outlays as expenditures. However, in 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 exceeds capital outlays in the current period.

Capital asset additions	\$ 12,655	
Current year depreciation	(241,865)	
<b>Total</b>		<b>(229,210)</b>

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

Property taxes	6,238	
Income taxes	62,799	
Earnings on investments	3,947	
Intergovernmental revenue	(77,688)	
<b>Total</b>		<b>(4,704)</b>

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 136,828

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	136	
Accreted interest on capital appreciation bonds	(23,048)	
Amortization of bond issuance costs	(5,328)	
Amortization of bond premiums	8,832	
Amortization of deferred charges	(1,805)	
<b>Total</b>		<b>(21,213)</b>

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. (6,858)

**Change in net assets of governmental activities** \$ (607,344)

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,313,179	\$ 1,333,920	\$ 1,333,920	\$ -
Income taxes. . . . .	856,086	931,918	931,918	-
Tuition. . . . .	317,500	293,803	293,803	-
Earnings on investments . . . . .	15,000	8,001	8,001	-
Classroom materials and fees . . . . .	18,500	16,018	16,018	-
Contributions and donations . . . . .	-	6,615	6,615	-
Other local revenues . . . . .	12,000	5,864	5,864	-
Intergovernmental - State . . . . .	5,124,449	4,954,189	4,954,189	-
Total revenues . . . . .	<u>7,656,714</u>	<u>7,550,328</u>	<u>7,550,328</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,603,149	4,118,863	3,411,553	707,310
Special. . . . .	322,415	590,892	240,291	350,601
Vocational. . . . .	249,324	191,753	185,732	6,021
Other. . . . .	1,049,826	972,301	782,419	189,882
Support services:				
Pupil. . . . .	460,414	419,954	342,394	77,560
Instructional staff . . . . .	368,361	438,797	274,534	164,263
Board of education . . . . .	24,195	20,054	18,032	2,022
Administration. . . . .	941,270	872,231	699,535	172,696
Fiscal . . . . .	307,848	296,020	229,062	66,958
Operations and maintenance. . . . .	1,000,009	1,173,699	720,874	452,825
Pupil transportation . . . . .	902,749	1,156,977	635,048	521,929
Central. . . . .	1,342	2,662	1,000	1,662
Extracurricular activities. . . . .	290,093	129,839	216,202	(86,363)
Total expenditures . . . . .	<u>10,520,995</u>	<u>10,384,042</u>	<u>7,756,676</u>	<u>2,627,366</u>
Excess of expenditures over revenues. . . . .	<u>(2,864,281)</u>	<u>(2,833,714)</u>	<u>(206,348)</u>	<u>2,627,366</u>
<b>Other financing sources:</b>				
Sale of capital assets . . . . .	-	152	152	-
Total other financing sources . . . . .	<u>-</u>	<u>152</u>	<u>152</u>	<u>-</u>
Net change in fund balance . . . . .	(2,864,281)	(2,833,562)	(206,196)	2,627,366
<b>Fund balance at beginning of year . . . . .</b>	2,720,236	2,720,236	2,720,236	-
<b>Prior year encumbrances appropriated . . . . .</b>	113,326	113,326	113,326	-
<b>Fund balance (deficit) at end of year. . . . .</b>	<u>\$ (30,719)</u>	<u>\$ -</u>	<u>\$ 2,627,366</u>	<u>\$ 2,627,366</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, 2012

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and investments . . . . .	\$ 20,248	\$ 394,359
Total assets. . . . .	<u>20,248</u>	<u>\$ 394,359</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 18
Intergovernmental payable . . . . .	-	10
Due to students. . . . .	-	394,331
Total liabilities . . . . .	<u>-</u>	<u>\$ 394,359</u>
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	<u>20,248</u>	
Total net assets . . . . .	<u>\$ 20,248</u>	

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, 2012

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 50
Total additions. . . . .	50
<b>Deductions:</b>	
Scholarships awarded . . . . .	1,000
Change in net assets. . . . .	(950)
<b>Net assets at beginning of year . . . . .</b>	<b>21,198</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 20,248</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 520<sup>th</sup> largest in the State of Ohio among 918 public and community schools in the State in terms of enrollment. It is staffed by 40 classified employees and 62 certified teaching personnel and 10 administrators who provide services to 851 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) guidance issued on or before November 30, 1989, to its governmental activities provided it does 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 and component units. 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. 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, 2012

**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 42 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. The District paid \$17,744 to NOECA during fiscal year 2012 for services. Financial information can be obtained from Betty Dencer, who serves as Director, 219 Howard Drive, Sandusky, Ohio 44870.

*INSURANCE PURCHASING POOLS*

Workers' Compensation Group Rating Program

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. 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 District pays a fee to the GRP to cover the costs of administering the program.

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, 2012

**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 and report all financial resources not accounted for and reported 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 that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*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, 2012

**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 Nonexchange 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**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, 2012, but which were levied to finance fiscal year 2013 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, 2012 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 except agency funds. The specific timetable for fiscal year 2012 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 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 July 1, 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 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 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, 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 fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures for the general fund, the District has elected to present its respective budgetary statement comparison at the fund and function level of expenditures.

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, 2012. 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. 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 investments" on the basic financial statements.

During fiscal year 2012, investments were limited to federal securities, the State Treasury Asset Reserve of Ohio (STAR Ohio) and non-negotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2012. 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, 2012.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 2012 amounted to \$4,185, which includes \$45 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. On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**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, except land, 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 from the general fund to cover negative cash balances in other governmental funds are classified as "due to/from other funds". These amounts are eliminated in the governmental type activities columns 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, 2012

**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, 2012, 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 age fifty with at least ten years of service and all employees with at least twenty 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, 2012 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**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 school bus purchases.

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. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, a nonspendable fund balance is recorded by an amount equal to the carrying value of the asset on the fund financial statements.

**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 for school bus purchases. These restricted assets are required by State statute. A schedule of statutory set-asides is presented in Note 18.

**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. The District made no interfund transfers during fiscal year 2012.

**R. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are recorded as a separate line item 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, 2012

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

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11.A.

**S. Budget Stabilization Arrangement**

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2012, the balance in the budget stabilization reserve was \$168,961. This amount is included in unassigned fund balance of the general fund and in unrestricted net assets on the statement of net assets.

**T. 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 2012.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 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, 2012

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 16,216
Education jobs	461
Title I	673
Improving teacher quality	97

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 resulted from 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;

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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. Cash on Hand**

At fiscal year end, the District had \$5,140 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**B. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$1,802,946. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$616,685 of the District's bank balance of \$1,848,545 was exposed to custodial risk as discussed below, while \$1,231,860 was covered by the FDIC.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

**C. Investments**

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>
FNMA	\$ 100,073	\$ 100,073	\$ -	\$ -
FNMA	196,632	-	-	196,632
FHLMC	100,343	100,343	-	-
STAR Ohio	1,283,307	1,283,307	-	-
Total	<u>\$ 1,680,355</u>	<u>\$ 1,483,723</u>	<u>\$ -</u>	<u>\$ 196,632</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:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in FHLMC and FNMA federal agency securities were rated AA+ and Aaa by Standard & Poor's Investment Services and Moody's Investor Services, respectively. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by the State statute.

*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 present value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*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, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 100,073	5.96
FNMA	196,632	11.70
FHLMC	100,343	5.97
STAR Ohio	<u>1,283,307</u>	<u>76.37</u>
Total	<u>\$ 1,680,355</u>	<u>100.00</u>

**D. 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, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,802,946
Investments	1,680,355
Cash on hand	<u>5,140</u>
Total	<u>\$ 3,488,441</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,073,834
Private-purpose trust fund	20,248
Agency fund	<u>394,359</u>
Total	<u>\$ 3,488,441</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances consisted of the following at June 30, 2012, as reported as due to/from other funds on the governmental fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 123,379</u>

The primary purpose of the interfund balances is to cover negative cash balances in the nonmajor governmental funds. These negative balances are allowable under Ohio Revised Code Section 3315.20. 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.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Huron and Richland Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$196,177 in the general fund, \$19,172 in the debt service fund (a nonmajor governmental fund) and \$3,842 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$223,967 in the general fund, \$21,567 in the debt service fund (a nonmajor governmental fund) and \$4,295 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 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.

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

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HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 73,009,580	97.35	\$ 74,034,030	97.64
Public utility personal	<u>1,987,100</u>	<u>2.65</u>	<u>1,785,660</u>	<u>2.36</u>
Total	<u>\$ 74,996,680</u>	<u>100.00</u>	<u>\$ 75,819,690</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$36.95		\$36.95	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012 consist of property taxes, income taxes, accounts, accrued interest and intergovernmental grants and entitlements. 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:**

Property taxes	\$ 1,554,288
Income taxes	378,220
Accounts	265
Accrued interest	5,052
Intergovernmental	<u>199,506</u>
Total	<u>\$ 2,137,331</u>

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

**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 \$927,639 for fiscal year 2012.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2012</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 37,245	\$ -	\$ -	\$ 37,245
Total capital assets, not being depreciated	<u>37,245</u>	<u>-</u>	<u>-</u>	<u>37,245</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	961,128	-	-	961,128
Buildings and improvements	8,067,592	-	-	8,067,592
Furniture and equipment	418,677	12,655	-	431,332
Vehicles	<u>1,159,702</u>	<u>-</u>	<u>-</u>	<u>1,159,702</u>
Total depreciable capital assets	<u>10,607,099</u>	<u>12,655</u>	<u>-</u>	<u>10,619,754</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(304,407)	(43,940)	-	(348,347)
Buildings and improvements	(2,885,554)	(155,159)	-	(3,040,713)
Furniture and equipment	(332,570)	(19,718)	-	(352,288)
Vehicles	<u>(1,059,262)</u>	<u>(23,048)</u>	<u>-</u>	<u>(1,082,310)</u>
Total accumulated depreciation	<u>(4,581,793)</u>	<u>(241,865)</u>	<u>-</u>	<u>(4,823,658)</u>
Governmental activities capital assets, net	<u>\$ 6,062,551</u>	<u>\$ (229,210)</u>	<u>\$ -</u>	<u>\$ 5,833,341</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 44,274
Vocational	664

Support services:

Administration	57,097
Operations and maintenance	82,317
Pupil transportation	29,230
Extracurricular activities	1,643
Food service operations	<u>26,640</u>
Total depreciation expense	<u>\$ 241,865</u>

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

During fiscal year 2008, the District 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 and as a reduction to the liability for the principal portion on the government-wide financial statements. 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. A corresponding liability was recorded on the statement of net assets. Principal and interest payments in the 2012 fiscal year totaled \$6,828 and \$686, respectively, paid by the general fund.

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, 2012:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2013	\$ <u>6,261</u>
Total minimum lease payments	6,261
Less: Amount representing interest	<u>(196)</u>
Total	\$ <u><u>6,065</u></u>

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2012, the following activity occurred in governmental activities long-term obligations:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Outstanding</u>	<u>Amounts</u> <u>Due in</u>
	<u>June 30, 2011</u>			<u>June 30, 2012</u>	<u>One Year</u>
<b>Governmental activities:</b>					
Classroom facilities improvement refunding bonds	\$ 998,570	\$ 23,048	\$ (130,000)	\$ 891,618	\$ 126,618
Capital lease payable	12,893	-	(6,828)	6,065	6,065
Compensated absences	<u>511,126</u>	<u>66,580</u>	<u>(51,078)</u>	<u>526,628</u>	<u>57,280</u>
Total governmental activities					
Long-term obligations	<u>\$ 1,522,589</u>	<u>\$ 89,628</u>	<u>\$ (187,906)</u>	1,424,311	<u>\$ 189,963</u>
Less: unamortized deferred charge on refunding				(9,780)	
Add: unamortized premium on bond issuance				<u>47,840</u>	
Total				<u>\$ 1,462,371</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 food service fund.

Capital lease payable: The capital lease will be paid from the general fund (See Note 10).

Series 2009 classroom facilities improvement refunding bonds

On February 4, 2009, the District issued series 2009 general obligation refunding bonds to refund the callable portion of the series 1996 current interest term bonds (principal \$1,015,000). Issuance proceeds totaling \$1,030,947 were deposited with an escrow agent and were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised both current interest bonds, par value \$935,000 and a capital appreciation bond, par value \$64,999. The interest rate on the current interest bonds ranges from 2.50-3.25%. The capital appreciation bond matures December 1, 2012 (approximate initial offering yield at maturity of 2.60%) at a redemption price equal to 100% of the principal, plus accrued interest to redemption date. The accreted value at maturity for the capital appreciation bonds is \$140,000. Total accreted interest of \$61,619 has been included in the statement of net assets.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The reacquisition price exceeded the net carrying amount of the old debt by \$15,947. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a schedule of activity for fiscal year 2012 on for the Series 2009 classroom facilities improvement refunding bonds:

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2012</u>
Current interest bonds	\$ 895,000	\$ -	\$ (130,000)	\$ 765,000
Capital appreciation bonds	64,999	-	-	64,999
Accreted interest	<u>38,571</u>	<u>23,048</u>	<u>-</u>	<u>61,619</u>
Total G.O. bonds	<u>\$ 998,570</u>	<u>\$ 23,048</u>	<u>\$ (130,000)</u>	<u>\$ 891,618</u>

The following is a summary of the future debt service requirements to maturity for the Series 2009 refunding bonds:

Fiscal Year Ending <u>June 30,</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 21,725	\$ 21,725	\$ 64,999	\$ 75,001	\$ 140,000
2014	140,000	19,976	159,976	-	-	-
2015	150,000	16,256	166,256	-	-	-
2016	150,000	12,225	162,225	-	-	-
2017	160,000	7,762	167,762	-	-	-
2018	<u>165,000</u>	<u>2,681</u>	<u>167,681</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 765,000</u>	<u>\$ 80,625</u>	<u>\$ 845,625</u>	<u>\$ 64,999</u>	<u>\$ 75,001</u>	<u>\$ 140,000</u>

**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, 2012, are a voted debt margin of \$6,350,184 (including available funds of \$356,411) and an unvoted debt margin of \$75,820.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 15 sick leave days per year and each employee can earn 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.

**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 Ohio School Plan as authorized by Ohio Revised Code 2744.081 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.

Fleet and property/casualty insurance are purchased through Ohio School Plan. Settled claims resulting from these risks have not exceeded coverage in any of the prior three fiscal years. Also, coverages have not been materially reduced from prior fiscal years.

**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, dental and 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - RISK MANAGEMENT - (Continued)**

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. Workers Compensation**

For fiscal year 2012, the District participated in the OASBO/CompManagement, Inc. 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 tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**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, disability, survivor 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](http://www.ohsers.org), under "*Employers/Audit Resources*".

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 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$120,638, \$112,881 and \$126,505, respectively; 56.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - PENSION PLANS - (Continued)**

**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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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.

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 2012, 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, 2012, 2011 and 2010 were \$517,854, \$517,817 and \$498,662, respectively; 82.68 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$16,324 made by the District and \$11,660 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, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$24,774, \$32,872 and \$18,355, respectively; 56.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$7,124, \$7,264 and \$7,523, respectively; 56.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

**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](http://www.strsoh.org), under "Publications" 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 2012, 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, 2012, 2011 and 2010 were \$39,835, \$39,832 and \$38,359, respectively; 82.68 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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);
- (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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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	\$ (206,196)
Net adjustment for revenue accruals	(36,100)
Net adjustment for expenditure accruals	(274,316)
Net adjustment for other sources/uses	(152)
Funds budgeted elsewhere	(7,693)
Adjustment for encumbrances	58,592
GAAP basis	\$ (465,865)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, uniform school supplies fund, adult education fund, special rotary fund and the public school support fund.

**NOTE 17 - CONTINGENCIES**

**A. Grants and ADM**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**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, 2012

**NOTE 18 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	147,160
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(34,939)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>(112,221)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

During fiscal year 1996, the District issued \$1,795,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to \$0. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$969,363 at June 30, 2012.

In addition to the above statutory set-asides, the District also has \$5,001 in monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2012 follows:

Amount restricted for school bus purchases	<u>\$ 5,001</u>
--	-----------------

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 19 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 51,170
Other governmental	<u>19,746</u>
Total	<u>\$ 70,916</u>

## **SUPPLEMENTARY DATA**

SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Child Nutrition Grant Cluster:</b>				
(D) (E) School Breakfast Program	10.553	2012	\$ 35,556	\$ 35,556
<b>Total School Breakfast Program</b>			<u>35,556</u>	<u>35,556</u>
(D) (E) National School Lunch Program	10.555	2012	177,140	177,140
(C) (D) National School Lunch Program - Food Donation	10.555	2012	32,021	32,021
<b>Total National School Lunch Program</b>			<u>209,161</u>	<u>209,161</u>
<b>Total U.S. Department of Agriculture and Child Nutrition Grant Cluster</b>			<u>244,717</u>	<u>244,717</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Title I Grant Cluster:</b>				
(F) Title I Grants to Local Educational Agencies	84.010	2011	30,709	21,042
(F) Title I Grants to Local Educational Agencies	84.010	2012	160,190	176,776
<b>Total Title I Grants to Local Educational Agencies</b>			<u>190,899</u>	<u>197,818</u>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	18,674	6,331
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2012	12,011	12,011
<b>Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act</b>			<u>30,685</u>	<u>18,342</u>
<b>Total Title I Grant Cluster</b>			<u>221,584</u>	<u>216,160</u>
Special Education_Grants to States	84.027	2011	22,024	14,670
Special Education_Grants to States	84.027	2012	168,752	173,759
<b>Total Special Education_Grants to States</b>			<u>190,776</u>	<u>188,429</u>
<b>Educational Technology State Grants Cluster:</b>				
(G) Educational Technology State Grants	84.318	2012	-	1,486
<b>Total Education Technology State Grants</b>			<u>-</u>	<u>1,486</u>
(G) ARRA - Educational Technology State Grants, Recovery Act	84.386	2011	5,961	4,168
<b>Total ARRA - Educational Technology State Grants, Recovery Act</b>			<u>5,961</u>	<u>4,168</u>
<b>Total Educational Technology State Grants Cluster</b>			<u>5,961</u>	<u>5,654</u>
Education Jobs	84.410	2011	47,333	34,653
Education Jobs	84.410	2012	55,757	77,371
<b>Total Education Jobs</b>			<u>103,090</u>	<u>112,024</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395A	2011	15,707	1,640
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395A	2012	26,582	38,266
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act - Innovative Grant Math Coach	84.395A	2012	110,575	166,323
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act - Resident Educator	84.395A	2012	350	350
<b>Total ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act</b>			<u>153,214</u>	<u>206,579</u>
(H) Improving Teacher Quality State Grants	84.367	2011	6,900	3,529
(H) Improving Teacher Quality State Grants	84.367	2012	41,520	52,777
<b>Total Improving Teacher Quality State Grants</b>			<u>48,420</u>	<u>56,306</u>
<b>Total U.S. Department of Education</b>			<u>723,045</u>	<u>785,152</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 967,762</u>	<u>\$ 1,029,869</u>

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:**

- (A) OAKS did not assign pass-through numbers for fiscal year 2012.
- (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 "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Education Technology State Grants Cluster" in determining major programs.
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2012, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Improving Teacher Quality State Grants	84.367	2011	\$ 1,512	
Improving Teacher Quality State Grants	84.367	2012		\$ 1,512
<b>Totals</b>			<u>\$ 1,512</u>	<u>\$ 1,512</u>



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the South Central Local School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise South Central Local School District's basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the South Central Local School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education  
South Central Local School District

Compliance and Other Matters

As part of reasonably assuring whether the South Central Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters reported under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of the South Central Local School District, federal awarding agencies and pass-through entities, and others within the South Central Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 14, 2012



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

**Independent Accountants' Report on Compliance With Requirements Applicable to Each  
Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the South Central Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the South Central Local School District's major federal programs for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the South Central Local School District's major federal programs. The South Central Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the South Central Local School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the South Central Local School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the South Central Local School District's compliance with those requirements.

In our opinion, the South Central Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

The South Central Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of South Central Local School District's internal control over compliance.

Board of Education  
South Central Local School District

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

We intend this report solely for the information and use of the management and Board of Education of the South Central Local School District, federal awarding agencies and pass-through entities, and others within the South Central Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
December 14, 2012

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<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 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 Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Education Jobs, CFDA #84.410; ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act, CFDA #84.395A
<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>	Yes

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

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# Dave Yost • 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  
FEBRUARY 7, 2013**