

***SOUTH CENTRAL LOCAL SCHOOL DISTRICT***

**AUDIT REPORT**

**For the Year Ended June 30, 2003**

***Charles E. Harris and Associates, Inc.  
Certified Public Accountants***





**Auditor of State  
Betty Montgomery**

Board of Education  
South Central Local School District

We have reviewed the Independent Auditor's Report of the South Central Local School District, Huron County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2002 through June 30, 2003. 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 "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 22, 2004

**This Page is Intentionally Left Blank.**

**South Central Local School District**  
**Audit Report**  
**For the Year Ended June 30, 2003**

Table of Contents

	<u>Page #</u>
Administrative Personnel	ii
Elected Officials	iii
Index of Funds and Account Groups	iv - v
Report of Independent Accountants	1
Combined Balance Sheet, All Fund Types and Account Groups -As of June 30, 2003	2-3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Similar Trust Fund - For the Year Ended June 30, 2003	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types - For the Year Ended June 30, 2003	6-8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary and Similar Trust Funds, - For the Year Ended June 30, 2003	9
Combined Statement of Changes in Cash Flows - All Proprietary and Similar Trust Funds - For the Year Ended June 30, 2003	10
Notes to the General Purpose Financial Statements	11-33
Schedule of Federal Awards Expenditures	34
Notes to the Schedule of Federal Award Expenditures	35
Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	36-37
Report on Compliance With Requirement Applicable to Each Major Program and Internal Control Over Compliance Accordance With <i>OMB Circular A-133</i>	38-39
Schedule of Findings and Questioned Costs	40-41
Status of Prior Audit's and Citations and Recommendations	42

*South Central Local School District*  
Audit Report  
For the Year Ended June 30, 2003

ADMINISTRATIVE PERSONNEL

<u>TITLE</u>	<u>TERM OF OFFICE FOR CONTRACT PERIOD</u>	<u>SURETY</u>
<u>SUPERINTENDENT</u>		
David E. Williamson	8/1/99 to 7/31/03	A
<u>TREASURER</u>		
Shirley F. Oney	1/03 to 1/07	B

LEGAL COUNSEL:

Pepple and Waggoner  
Crown Center Building  
5005 Rockside Road, Suite 260  
Cleveland, Ohio 44131-6808

Surety: A - Nationwide Agribusiness Insurance Company for \$20,000.  
B - Wausau Insurance Company for \$100,000.

*South Central Local School District*  
Audit Report  
For the Year Ended June 30, 2003

ELECTED OFFICIALS

<u>BOARD OF EDUCATION</u>	<u>TITLE</u>	<u>TERM OF EXPIRATION</u>	<u>SURETY</u>
James L. Bond	President	1/00 to 12/03	\$20,000
Leann Palm	Vice-President	1/00 to 12/03	
Richard E. Pettit	Member	1/00 to 12/03	
Bryan Hammon	Member	1/02 to 12/05	
Teresa Stryker	Member	1/02 to 12/05	

Surety - Nationwide Agribusiness Insurance Company in the above stated amount.

**South Central Local School District**  
Audit Report  
For the Year Ended June 30, 2003

INDEX OF FUNDS AND ACCOUNT GROUPS

***GOVERNMENTAL FUND TYPES:***

*General Fund:*

General Fund

*Special Revenue Funds:*

Public School Support

Classroom Facilities Maintenance

District Managed Activities

Parent Involvement Award

Local Professional Development Block Grant

Management Information System Fund

DPIA

Network Connect

Schoolnet Professional Development Grant

Textbook/Instruction Material

Ohio Read Community Grant

Summer School

Ext Learning Opportunity Funding

Other Miscellaneous State Grants

Eisenhower Professional Development Grant

Title VI-B

Title I

Title VI

Drug Free Schools

Early Childhood Education Development

EHA Preschool Grant Handicap

Telecom E-Rate

Improving Academic Achievement

Title VI-R Class Size Reduction

Other Miscellaneous Federal Grants

*Debt Service Fund:*

Bond Retirement

*Capital Projects Funds:*

Permanent Improvement

Building

Building fund for construction #28

Schoolnet

Technology Equity Funds

Emergency Building Repair



*South Central Local School District*  
Audit Report  
For the Year Ended June 30, 2003

***PROPRIETARY FUND TYPES:***

*Enterprise Funds:*

Food Service  
Uniform School Supplies  
Adult Education

*Internal Service Fund:*

Rotary fund

***FIDUCIARY FUND TYPES:***

*Expendable Trust Fund:*

Special Trust

*Non-Expendable Trust Fund:*

Endowment Fund

*Agency Funds:*

Trust Fund/Unclaimed Monies  
Student Activity

***ACCOUNT GROUPS:***

General Fixed Asset Account Group  
General Long-Term Obligations Account Group

**This Page is Intentionally Left Blank.**

The Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland, OH 44113-1306  
Office phone – (216) 575-1630  
Fax – (216) 436-2411

**Charles E. Harris & Associates, Inc.**  
Certified Public Accountants

---

**REPORT OF INDEPENDENT ACCOUNTANTS**

Board of Education  
South Central Local School District  
Greenwich, Ohio

We have audited the accompanying general purpose financial statements of the South Central Local School District (the District), as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Charles E. Harris & Associates, Inc.**  
December 12, 2003

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT**

COMBINED BALANCE SHEET  
All Fund Types and Account Groups  
June 30, 2003

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
<b>ASSETS</b>										
Equity in pooled cash and cash equivalents	\$ 1,984,836	402,130	176,118	37,867	87,180	406	106,144	-	-	2,794,681
Restricted cash and cash equivalents	784,828	-	-	-	-	-	-	-	-	784,828
Cash in Segregated Accounts	-	-	-	-	-	-	2,296	-	-	2,296
Cash with fiscal agents	-	-	29	-	-	-	-	-	-	29
Receivables:										
Taxes	1,520,525	27,115	154,617	-	-	-	-	-	-	1,702,257
Accounts	368	289	-	-	41	-	2,226	-	-	2,924
Intergovernmental	36	202,622	-	-	10,905	-	-	-	-	213,563
Interest	1,052	-	-	-	-	-	-	-	-	1,052
Interfund receivable	223,522	-	-	-	-	-	-	-	-	223,522
Inventory held for resale	-	-	-	-	8,489	-	-	-	-	8,489
Materials and supplies inventory	10,751	-	-	-	1,290	-	-	-	-	12,041
Fixed assets (Net, where applicable, of accumulated depreciation)	-	-	-	-	106,459	-	-	12,451,105	-	12,557,564
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	205,402	205,402
Amount to be provided from general government resources	-	-	-	-	-	-	-	-	1,704,934	1,704,934
<b>Total Assets</b>	<b>\$ 4,525,918</b>	<b>632,156</b>	<b>330,764</b>	<b>37,867</b>	<b>214,364</b>	<b>406</b>	<b>110,666</b>	<b>12,451,105</b>	<b>1,910,336</b>	<b>20,213,582</b>

See accompanying notes to the general purpose financial statements

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT**

COMBINED BALANCE SHEET  
All Fund Types and Account Groups - continued  
June 30, 2003

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
<b>LIABILITIES</b>										
Accounts payable	\$ 71,358	4,232	-	-	-	-	-	-	-	75,590
Accrued wages and benefits	353,950	25,872	-	-	13,450	-	-	-	-	393,272
Compensated absences payable	-	-	-	-	6,294	-	-	-	373,057	379,351
Pension obligation payable	81,038	3,544	-	-	12,765	-	-	-	47,291	144,638
Interfund payable	-	183,289	-	16,795	20,136	-	3,302	-	-	223,522
Due to other governments	17,789	1,661	-	-	663	-	81,187	-	-	101,300
Deferred revenue	1,088,400	52,358	125,333	-	5,644	-	-	-	-	1,271,735
Due to students	-	-	-	-	-	-	6,140	-	-	6,140
Matured interest payable	-	-	29	-	-	-	-	-	-	29
General obligation bonds payable	-	-	-	-	-	-	-	-	1,489,988	1,489,988
<b>Total Liabilities</b>	<b>\$ 1,612,535</b>	<b>270,956</b>	<b>125,362</b>	<b>16,795</b>	<b>58,952</b>	<b>-</b>	<b>90,629</b>	<b>-</b>	<b>1,910,336</b>	<b>4,085,565</b>
<b>FUND EQUITY</b>										
Investment in general fixed assets	-	-	-	-	-	-	-	12,451,105	-	12,451,105
Contributed capital	-	-	-	-	34,927	-	-	-	-	34,927
Retained earnings:										
Unreserved:										
Fund balance:										
Reserved for encumbrances	\$ 131,343	48,569	-	8,762	-	-	311	-	-	188,985
Reserved for textbooks	243,153	-	-	-	-	-	-	-	-	243,153
Reserved for capital maintenance	256,787	-	-	-	-	-	-	-	-	256,787
Reserved for inventory	10,751	-	-	-	-	-	-	-	-	10,751
Reserved for property taxes	152,535	3,373	29,284	-	-	-	-	-	-	185,192
Reserved for debt service	-	-	176,118	-	-	-	-	-	-	176,118
Reserved for budget stabilization	284,888	-	-	-	-	-	-	-	-	284,888
Reserved for scholarships	-	-	-	-	-	-	6,444	-	-	6,444
Unreserved:										
Undesignated	1,833,926	309,258	-	12,310	-	-	13,282	-	-	2,168,776
<b>Total Fund Equity</b>	<b>2,913,383</b>	<b>361,200</b>	<b>205,402</b>	<b>21,072</b>	<b>155,412</b>	<b>406</b>	<b>20,037</b>	<b>12,451,105</b>	<b>-</b>	<b>16,128,017</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 4,525,918</b>	<b>632,156</b>	<b>330,764</b>	<b>37,867</b>	<b>214,364</b>	<b>406</b>	<b>110,666</b>	<b>12,451,105</b>	<b>1,910,336</b>	<b>20,213,582</b>

See accompanying notes to the general purpose financial statements

**This Page is Intentionally Left Blank.**

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT**  
 COMBINED STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES  
 All Governmental Fund Types and Similar Trust Funds  
 For the Year Ended June 30, 2003

	Governmental Fund Types				Fiduciary	Total
	General	Special Revenue	Debt Service	Capital Projects	Trust Fund Expendable Trust	(Memorandum Only)
<b>REVENUES:</b>						
Taxes	\$ 2,109,152	28,009	173,549	-	-	2,310,710
Intergovernmental	4,093,017	682,528	69,881	11,500	-	4,856,926
Interest	50,873	1,290	2,674	386	240	55,463
Tuition and Fees	250	-	-	-	-	250
Extracurricular activities	-	106,119	-	-	348	106,467
Classroom Materials and Fees	7,424	-	-	-	-	7,424
Miscellaneous	1,344	29,345	-	-	8,382	39,071
<b>Total Revenues</b>	<b>6,262,060</b>	<b>847,291</b>	<b>246,104</b>	<b>11,886</b>	<b>8,970</b>	<b>7,376,311</b>
<b>EXPENDITURES:</b>						
Instruction:						
Regular	2,910,518	394,065	-	17,233	6,207	3,328,023
Special	315,119	45,786	-	-	78	360,983
Vocational	135,477	551	-	-	-	136,028
Other	25,616	-	-	-	-	25,616
Support Services:						
Pupils	40,974	-	-	-	-	40,974
Instructional staff	171,690	964	-	-	919	173,573
Board of education	57,531	1,317	-	-	-	58,848
Administration	758,115	38,721	-	280	-	797,116
Fiscal	226,331	623	3,632	-	-	230,586
Operation and maintenance of plant	906,216	29,750	-	15,179	-	951,145
Pupil transportation	348,517	821	-	-	-	349,338
Central	11,406	-	-	-	-	11,406
Operation of non-instructional services	-	-	-	-	150	150
Extracurricular activities	167,596	90,417	-	-	1,850	259,863
Debt Service:						
Principal retirement	-	-	135,000	-	-	135,000
Interest and fiscal charges	-	-	73,964	-	-	73,964
<b>Total Expenditures</b>	<b>6,075,106</b>	<b>603,015</b>	<b>212,596</b>	<b>32,692</b>	<b>9,204</b>	<b>6,932,613</b>
Excess of Revenues Over/(Under) Expenditures	186,954	244,276	33,508	(20,806)	(234)	443,698
<b>Other Financing Sources/(Uses):</b>						
Proceeds from Sale of Fixed Assets	1,371	-	-	-	-	1,371
Refund of prior year expenditures	13,774	87	-	-	-	13,861
Refund of prior year receipts	(15)	(860)	-	-	-	(875)
<b>Total Other Financing Sources/(Uses)</b>	<b>15,130</b>	<b>(773)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,357</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	202,084	243,503	33,508	(20,806)	(234)	458,055
Fund Balance/(Deficit) - July 1 as restated See Note 18.	2,710,787	117,697	171,894	41,878	13,827	3,056,083
Increase(Decrease) in Reserve for Inventory	512	-	-	-	-	512
<b>Fund Balance/(Deficit) - June 30</b>	<b>\$ 2,913,383</b>	<b>361,200</b>	<b>205,402</b>	<b>21,072</b>	<b>13,593</b>	<b>3,514,650</b>

See accompanying notes to the general purpose financial statements

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)  
 All Governmental Fund Types and Similar Trust Fund  
 For the Year Ended June 30, 2003

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b><u>REVENUES:</u></b>						
Taxes	\$ 2,065,686	2,065,686	-	27,352	27,352	-
Tuition	250	250	-	-	-	-
Earnings on investments	51,501	51,501	-	1,289	1,289	-
Extracurricular activities	-	-	-	97,013	106,909	9,896
Classroom materials and fees	7,568	7,568	-	-	-	-
Intergovernmental	4,229,375	4,093,017	(136,358)	508,521	508,521	-
Miscellaneous	1,369	1,369	-	29,345	29,345	-
<b>Total Revenues</b>	<b>6,355,749</b>	<b>6,219,391</b>	<b>(136,358)</b>	<b>663,520</b>	<b>673,416</b>	<b>9,896</b>
<b><u>EXPENDITURES:</u></b>						
Instruction:						
Regular	4,103,394	2,937,545	1,165,849	476,961	417,852	59,109
Special	623,781	326,100	297,681	56,773	44,756	12,017
Vocational Education	225,719	138,440	87,279	751	551	200
Other Instruction	29,585	29,585	-	-	-	-
Support Services:						
Pupils	45,963	44,976	987	-	-	-
Instructional support	231,342	181,733	49,609	1,164	964	200
Board of education	88,951	84,328	4,623	1,646	1,317	329
Administration	868,437	756,896	111,541	84,129	52,653	31,476
Fiscal	280,578	227,071	53,507	1,100	623	477
Operation and maintenance of plant	1,115,235	934,569	180,666	43,044	28,871	14,173
Pupil transportation	632,797	409,478	223,319	821	821	-
Central	11,406	11,406	-	11,220	-	11,220
Operation of noninstructional services	-	-	-	-	-	-
Extracurricular activities	211,803	167,242	44,561	122,778	100,977	21,801
Capital outlay	89,844	-	89,844	-	-	-
Debt Service:						
Principal payments	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>8,558,835</b>	<b>6,249,369</b>	<b>2,309,466</b>	<b>800,387</b>	<b>649,385</b>	<b>151,002</b>
Excess of Revenues Over/ (Under) Expenditures	(2,203,086)	(29,978)	2,173,108	(136,867)	24,031	160,898
<b><u>Other Financing Sources/(Uses):</u></b>						
Advance in	134,171	134,171	-	80,251	160,618	80,367
Advance out	(261,667)	(163,186)	98,481	(131,619)	(131,619)	-
Sale and loss of assets	1,376	1,376	-	-	-	-
Refund of prior year receipts	(15)	(15)	-	(900)	(861)	39
Refund of prior year expenditures	13,543	13,543	-	87	87	-
<b>Total Other Financing Sources/(Uses)</b>	<b>(112,592)</b>	<b>(14,111)</b>	<b>98,481</b>	<b>(52,181)</b>	<b>28,225</b>	<b>80,406</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(2,315,678)	(44,089)	2,271,589	(189,048)	52,256	241,304
Fund Balance/(Deficit) July 1	2,403,506	2,403,506	-	204,659	204,659	-
Prior year encumbrances appropriated	187,884	187,884	-	88,276	88,276	-
<b>Fund Balance/(Deficit) June 30</b>	<b>\$ 275,712</b>	<b>2,547,301</b>	<b>2,271,589</b>	<b>103,887</b>	<b>345,191</b>	<b>241,304</b>

See accompanying notes to the general purpose financial statements



Debt Service Funds			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
151,946	159,876	7,930	-	-	-	-	-	-
2,674	2,674	-	385	386	1	240	240	-
-	-	-	-	-	-	322	322	-
-	-	-	-	-	-	-	-	-
69,880	69,881	1	11,500	11,500	-	-	-	-
-	-	-	-	-	-	8,382	8,382	-
224,500	232,431	7,931	11,885	11,886	1	8,944	8,944	-
-	-	-	22,513	22,135	378	9,116	6,357	2,759
-	-	-	-	-	-	78	78	-
-	-	-	-	-	-	189	-	189
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,563	1,080	1,483
-	-	-	-	-	-	-	-	-
-	-	-	285	285	-	-	-	-
60,000	3,633	56,367	-	-	-	-	-	-
-	-	-	33,650	19,034	14,616	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	301	150	151
-	-	-	-	-	-	7,714	4,050	3,664
-	-	-	-	-	-	-	-	-
-	-	-	12,118	-	12,118	-	-	-
135,000	135,000	-	-	-	-	-	-	-
185,784	73,964	111,820	-	-	-	-	-	-
380,784	212,597	168,187	68,566	41,454	27,112	19,961	11,715	8,246
(156,284)	19,834	176,118	(56,681)	(29,568)	27,113	(11,017)	(2,771)	8,246
-	-	-	-	1,991	1,991	16	577	561
-	-	-	(1,991)	(1,991)	-	(561)	(561)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(1,991)	-	1,991	(545)	16	561
(156,284)	19,834	176,118	(58,672)	(29,568)	29,104	(11,562)	(2,755)	8,807
156,284	156,284	-	53,194	53,194	-	14,216	14,216	-
-	-	-	5,478	5,478	-	2,899	2,899	-
-	176,118	176,118	-	29,104	29,104	5,553	14,360	8,807

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)  
 All Governmental Fund Types and Similar Trust Fund - (Continued)  
 For the Year Ended June 30, 2003

	Total - (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b><u>REVENUES:</u></b>			
Taxes	\$ 2,244,984	2,252,914	7,930
Tuition	250	250	-
Earnings on investments	56,089	56,090	1
Extracurricular activities	97,335	107,231	9,896
Classroom materials and fees	7,568	7,568	-
Intergovernmental	4,819,276	4,682,919	(136,357)
Miscellaneous	39,096	39,096	-
Total Revenues	7,264,598	7,146,068	(118,530)
 <b><u>EXPENDITURES:</u></b>			
Instruction:			
Regular	4,611,984	3,383,889	1,228,095
Special	680,632	370,934	309,698
Vocational Education	226,659	138,991	87,668
Other Instruction	29,585	29,585	-
Support Services:			
Pupils	45,963	44,976	987
Instructional support	235,069	183,777	51,292
Board of education	90,597	85,645	4,952
Administration	952,851	809,834	143,017
Fiscal	341,678	231,327	110,351
Operation and maintenance of plant	1,191,929	982,474	209,455
Pupil transportation	633,618	410,299	223,319
Central	22,927	11,556	11,371
Operation of noninstructional services	7,714	4,050	3,664
Extracurricular activities	334,581	268,219	66,362
Capital outlay	101,962	-	101,962
Debt Service:			
Principal payments	135,000	135,000	-
Interest and fiscal charges	185,784	73,964	111,820
Total Expenditures	9,828,533	7,164,520	2,664,013
Excess of Revenues Over/ (Under) Expenditures	(2,563,935)	(18,452)	2,545,483
 <b><u>Other Financing Sources/(Uses):</u></b>			
Advance in	214,438	297,357	82,919
Advance out	(395,838)	(297,357)	98,481
Sale and loss of assets	1,376	1,376	-
Refund of prior year receipts	(915)	(876)	39
Refund of prior year expenditures	13,630	13,630	-
Total Other Financing Sources/(Uses)	(167,309)	14,130	181,439
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(2,731,244)	(4,322)	2,726,922
Fund Balance/(Deficit) July 1	2,831,859	2,831,859	-
Prior year encumbrances appropriated	284,537	284,537	-
Fund Balance/(Deficit) June 30	\$ 385,152	3,112,074	2,726,922

See accompanying notes to the general purpose financial statements

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT**

COMBINED STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN RETAINED EARNINGS

All Proprietary Fund Types and Similar Trust Funds

For the Year Ended June 30, 2003

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u> <u>Fund Types</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Non-Expendable</u> <u>Trust</u>	<u>(Memorandum</u> <u>Only)</u>
<b><u>Operating revenues:</u></b>				
Food services	\$ 181,816	-	-	181,816
Classroom Materials and Fees	11,048	-	-	11,048
Interest	-	-	94	94
Extracurricular Activities	-	300	-	300
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenues	192,864	300	94	193,258
<b><u>Operating expenses:</u></b>				
Salaries	109,104	-	-	109,104
Fringe benefits	52,517	-	-	52,517
Purchased services	5,370	250	-	5,620
Materials and supplies	14,662	-	-	14,662
Cost of Sales	126,082	-	-	126,082
Depreciation expense	18,908	-	-	18,908
Other expenses	586	7,750	125	8,461
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	327,229	8,000	125	335,354
Operating Income/(Loss)	(134,365)	(7,700)	(31)	(142,096)
<b><u>Nonoperating revenues/(expenses):</u></b>				
Federally donated commodities	32,315	-	-	32,315
Intergovernmental	111,082	-	-	111,082
Interest	556	-	-	556
Other non-operating revenues	104	7,750	-	7,854
	<hr/>	<hr/>	<hr/>	<hr/>
Total Nonoperating revenues/(expenses)	144,057	7,750	-	151,807
Net Income/(Loss)	9,692	50	(31)	9,711
Retained Earnings at Beginning of Year	102,062	356	6,475	108,893
Depreciation on Fixed Assets Acquired by Contributed Capital	8,731	-	-	8,731
	<hr/>	<hr/>	<hr/>	<hr/>
Retained Earnings at End of Year	120,485	406	6,444	127,335
Contributed Capital at Beginning of Year	43,658	-	-	43,658
Depreciation on Fixed Assets Acquired by Contributed Capital	(8,731)	-	-	(8,731)
Contributed Capital at End of Year	34,927	-	-	34,927
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity at End of Year	\$ 155,412	406	6,444	162,262

See accompanying notes to the general purpose financial statements

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF CHANGES IN CASH FLOWS**  
All Proprietary Fund Types and Similar Trust Funds  
For the Year Ended June 30, 2003

	Proprietary Funds		Fiduciary Fund	Total (Memorandum Only)
	Enterprise	Internal Service	Non- Expendable Trust	
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>				
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$ 192,845	\$ 300	-	\$ 193,145
Cash Received from Interest Income (Nonexpendable Trust Fund Only)	-	-	\$ 94	94
Cash Received from Other Revenues	140	7,750	-	7,890
Cash Payments to Suppliers for Goods and Services	(116,151)	(250)	-	(116,401)
Cash Payments to Employees for Services	(109,204)	-	-	(109,204)
Cash Payments for Employees Benefits	(53,146)	-	-	(53,146)
Cash Payments for Miscellaneous	(586)	(7,750)	(125)	(8,461)
Net Cash Provided By (Used for) Operating Activities	(86,102)	50	(31)	(86,083)
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Grants Received	113,483	-	-	113,483
Net Cash Provided by (Used by) Non-Capital Financing Activities	113,483	-	-	113,483
<b>Cash Flows from Investing Activities:</b>				
Interest on Investments	556	-	-	556
Net Cash Provided by (Used by) Investing Activities	556	-	-	556
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital Assets Acquisition	(16,450)	-	-	(16,450)
Net Cash Provided by (Used by) Capital and Related Financing Activities	(16,450)	-	-	(16,450)
Net Increase (Decrease) in Cash and Cash Equivalents	11,487	50	(31)	11,506
Cash and Cash Equivalents at Beginning of Year	75,693	356	6,460	82,509
Cash and Cash Equivalents at End of Year	\$ 87,180	\$ 406	\$ 6,429	\$ 94,015
<b>Reconciliation of Operating Income (Loss) to</b>				
<b>Net Cash Provided by (Used by) Operating Activities:</b>				
Operating Income (Loss)	\$ (134,365)	\$ (7,700)	\$ (31)	\$ (142,096)
<b>Adjustments to Reconcile Operating Income (Loss) to</b>				
<b>Net Cash Provided by (Used by) Operating Activities:</b>				
Depreciation	18,908	-	-	18,908
Donated Commodities Used During Year	32,315	-	-	32,315
Non-Operating Revenue	104	7,750	-	7,854
(Increase)/Decrease in Assets:				
Accounts Receivable	17	-	-	17
Inventory Held for Resale	1,115	-	-	1,115
Materials and Supplies Inventory	(816)	-	-	(816)
Increase/(Decrease) in Liabilities:				
Accounts Payable	(1,612)	-	-	(1,612)
Accrued Wages and Benefits	831	-	-	831
Compensated Absences Payable	(1,036)	-	-	(1,036)
Pension Obligation Payable	(629)	-	-	(629)
Deferred Revenue	(1,039)	-	-	(1,039)
Due to Other Governments	105	-	-	105
Net Cash Provided By (Used for) Operating Activities	\$ (86,102)	\$ 50	\$ (31)	\$ (86,083)
<b>Reconciliation of Cash and Cash Equivalents of Fiduciary Funds to Balance Sheet:</b>				
<b>Cash and Cash Equivalents - All Fiduciary Funds:</b>				
Cash and Cash Equivalents - Expendable Trust Funds	\$ 14,669			
Cash and Cash Equivalents - Non-Expendable Trust Funds	6,444			
Cash and Cash Equivalents - Agency Funds	85,031			
Total Cash and Cash Equivalents	\$ 106,144			

See accompanying notes to the general purpose financial statements

*South Central Local School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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

Average daily membership (ADM) as of October 1, 2002, was 967. The District employed 4 administrative and supervisory personnel, 66 certificated employees and 43 non-certificated employees. Local school districts are supervised by the County Board of Education, a separate entity.

The South Central Local School District provides regular vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. REPORTING ENTITY

For financial reporting purposes the District's financial statements include all funds, account groups, and component units for which the District is financially accountable based upon criteria set forth in GASB Statement 14. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component unit if:

1. The District appoints a voting majority of the organization's governing body AND (a) is able to impose its will on that organization OR (b) there is a potential for the organization to provide specific burdens on the District; OR
2. The Organization is fiscally dependent upon the District; OR
3. The nature of the relationship between the District and the organization is such that the exclusion from the financial reporting entity would render the financial statements of the District misleading.

For the fiscal year 2003, the School District does not have any component units.

**South Central Local School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION-FUND ACCOUNTING

The District is associated with a jointly governed organization and an insurance pool. Information about these organizations is represented in Note 16 to the financial statements.

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provided for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate “fund types.”

Governmental Fund Types:

Governmental fund types are used to account for the District’s general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

*Revenue – Exchange and Non-exchange Transaction:*

Revenue resulting from exchange transactions, in which each party gives and received 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. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District received value without directly giving equal value in return, including property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements including 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 School District must provide local resources to be used for a specified purpose and expenditure requirements in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

*South Central Local School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION-FUND ACCOUNTING (continued)

*Deferred Revenue:*

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

*Expenditures:*

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental fund is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental fund types include the following funds:

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

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

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

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

*South Central Local School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION-FUND ACCOUNTING (continued)

Proprietary Fund Types:

Proprietary Funds are used to account for the District's ongoing activities which are similar to those most often found in the private sector. The following are the District's Proprietary Fund Types:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds – Internal Service Funds are used to account for the financing, on a cost-reimbursement basis, of goods or services provided by one department or agency to other departments or agencies or the District, or to other governments.

Fiduciary Fund Types:

Fiduciary Funds are used to account for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These included Expendable Trust, Nonexpendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in Proprietary Funds and Trust Funds.

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



**South Central Local School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Governmental Fund Types and Expendable Trust Funds are accounted for on a spending, or “financial resources” measurement focus. Governmental Fund Types and Expendable Trust funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available expendable resources.

Proprietary Fund Types and Nonexpendable Trust Funds are accounted for on a cost of services, or “economic resources”, measurement focus. Proprietary Fund Types and Nonexpendable Trust Funds income statements represent increases and decreases in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue accrued at the end of the fiscal year included delinquent property taxes, interest, tuition, and state and federal grants. Property taxes measurable as of June 30, 2003 and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2004 operations, have been recorded as deferred revenue. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long term debt which is recorded when due.

Proprietary funds and Nonexpendable Trust Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

D. BUDGETARY PROCESS

The actual results of operations, compared to the final appropriation, which includes amendments to the original appropriation, for each fund type by expenditure function and revenue by source are presented in the *Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (Non-GAAP Budgetary Basis)*. The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

The District adopts an annual budget for all governmental fund types. The specific timetable is as follows:

Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the board-adopted budget is filed with the Greene County Budget Commission for tax rate determination.

*South Central Local School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

Estimated Resources:

Prior to March 15, the Board of Education accepts by formal resolution, the tax rates as determined by the budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amount set forth in the final Amended Certificate.

Appropriations:

By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function level of expenditures, which are the legal levels 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 and encumbrances may not exceed the appropriation totals.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund must be approved by the Board of Education.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriations, except for function lines in Note 16.

Appropriation 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 during fiscal 2002-03.

Lapsing of Appropriations:

Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function level.

*South Central Local School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

Encumbrances:

Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP Basis and for all budgeted funds as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance.

Budgetary Basis of Accounting:

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

- 1) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP);
- 2) Expenditures are recorded when encumbered, or paid in cash (budgetary), as opposed to when susceptible to accrual (GAAP);
- 3) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as a note disclosure in the proprietary fund type (GAAP basis).

**South Central Local School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. BUDGETARY PROCESS (continued)**

**Budgetary Basis of Accounting (continued):**

Reconciliation of Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Fiduciary Funds

	General	Special Revenue	Debt Services	Capital Projects	Expendable Trust
Budget Basis	\$(44,089)	\$52,256	\$19,834	\$(29,568)	\$(2,755)
Adjustments:					
Revenue					
Accruals	(91,276)	93,623	13,674	(1,991)	(2,542)
Expenditure					
Accruals	559,816	154,559	-	19,515	5,374
Encumbrances	(222,367)	(56,935)	-	(8,762)	(311)
GAAP Basis	<u>\$202,084</u>	<u>\$243,503</u>	<u>\$33,508</u>	<u>\$(20,806)</u>	<u>\$(234)</u>

**E. CASH AND INVESTMENTS**

Cash received by the District is deposited in one bank account with individual fund balance integrity maintained throughout. Monies for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired) which are stated at cost. State statute authorizes the District to invest in obligations of the U. S. Treasury, commercial paper and repurchase agreements.

Under existing Ohio statutes, all investments earnings accrue to the general fund except those specifically related to Agency Funds, certain trust funds and those funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest income earned in fiscal 2003 for all funds (excluding Agency fund operations) totaled \$56,019.

For purposes of the combined statement of cash flows (GASB Statement No. 9) and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

*South Central Local School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. INVENTORY (MATERIALS AND SUPPLIES)

Inventories are valued at lower of cost (first-in, first-out) or market and are determined by physical count. The proprietary fund inventories are recorded as expenses when used. Inventory in governmental funds consists of expendable supplies which are recorded as an expenditure when individual inventory items are purchased. The governmental fund inventories are offset by a fund balance reserve which indicated they do not constitute “available expendable resources” and are not available for appropriations. The District did not have any significant governmental inventories for the fiscal year ended June 30, 2003.

G. Prepaid Items

Prepaid items for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At period-end, because prepayment and deferrals are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset. The District did not have any prepaid items at the end of fiscal year 2003.

H. FIXED ASSETS AND DEPRECIATION

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

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method. In proprietary funds, the following estimated useful lives are used to compute depreciation:

<u>Asset</u>	<u>Life (years)</u>
Machinery and Equipment	8 to 20

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during fiscal year 2003.

*South Central Local School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. INTERGOVERNMENTAL REVENUES

In governmental funds, entitlement and non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned.

J. INTERFUND TRANSACTIONS

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

1. Routine transfers of resources from one fund to another fund through which transactions resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District has no long-term advances as of June 30, 2003.

K. COMPENSATED ABSENCES

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all classified employees age fifty (50) or greater with at least ten (10) years of service; and all non-classified employees age fifty (50) or greater with at least five (5) years of service were considered expected to become eligible to retire in accordance with GASB 16.

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

*South Central Local School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. COMPENSATED ABSENCES (continued)

Accumulated vacation and severance liability of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long Term Debt Account Group. Vacation and severance liability for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

The District's policies regarding compensated absences are determined by state laws and/or negotiated agreements. In summary, the policies are as followed:

Sick Leave:

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1¼) days for each calendar month under contract. Sick leave is cumulative to two hundred forty (240) days.

Service Retirement:

Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on the accumulative sick leave up to a maximum of 55 days. Employees must have ten years service with the South Central Local School system.

Non-Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on the accumulative sick leave up to a maximum of 55 days. Employees must have five years service with the South Central Local School system.

L. LONG-TERM OBLIGATIONS

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

M. FUND EQUITY

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, debt service, donations, and the budget stabilization reserve. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

*South Central Local School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. PROPRIETARY FUND ACCOUNTING POLICIES

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the district applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles, Board Opinions, and Accounting Research bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

O. MEMORANDUM ONLY-TOTAL COLUMNS

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns to not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

P. RESTRICTED ASSETS

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 2003, the School District transferred \$115,927 into the set-aside budget stabilization reserve.

Q. ESTIMATES

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

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit 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 accounts including passbook accounts.



*South Central Local School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

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

Inactive monies are permitted to 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 or interest by the United States;
2. Bonds, notes debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days 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 rating classifications by at least two nationally recognized rating agencies.

**South Central Local School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

**NOTE 3 – DEPOSITS AND INVESTMENTS (continued)**

Investments in stripped principal or interest obligation, 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 School 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.

Protection of the School 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.

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

*Deposits:* At fiscal year end, the carrying amount of the School District’s deposits was \$109,820 and the bank balance was \$121,090. Of the bank balance

1. \$100,000 was covered by federal depository insurance or surety bonds; and
2. \$21,090 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to successful claim by the FDIC.

*Investments:* The School District’s investments are categorized below to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or the School District’s agent in the School District’s name. Category 2 includes uninsured and unregistered investments which are held by the counter-party’s trust department or agent in the School District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the School District’s name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Reported Amount	Fair Value
STAR Ohio – Not Categorized	\$3,691,654	\$3,691,654

**South Central Local School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

**NOTE 3 – DEPOSITS AND INVESTMENTS (continued)**

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

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

	Cash and Cash Equivalents/Deposits	Investment
GASB Statement 9	\$3,581,834	\$0
Reclassification: STAR Ohio	(3,691,654)	3,691,654
GASB Statement 3	\$109,820	\$3,691,654

Ohio Revised Code Chapter 135, Uniform Depository act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurances.

**NOTE 4 – PROPERTY TAXES**

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in fiscal year 2003 were based are as follows:

	2002	2001
Real Property -		
Residential/Agricultural	\$ 47,090,920	\$ 46,189,480
Commercial/Industrial	3,738,460	3,799,710
Public Utilities	185,720	177,090
Tangible Property -		
General	3,648,390	3,927,660
Public Utilities	7,124,110	6,320,340
Total Valuation	\$ 61,787,600	\$ 60,414,280

*South Central Local School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 4 – PROPERTY TAXES (continued)

In 2003, real property taxes were levied in January 1, 2002, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in January 2003. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25% of true value (as defined). In 2003, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2003, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due June 20th. The County Auditor remits portions of the taxes collected to all taxing Districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which become measurable at June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003 was \$152,535 and is recognized as revenue in the General Fund, \$3,373 in the Special Revenue Fund, and \$29,284 in the Debt Service Fund.

NOTE 5 – LOCAL INCOME TAX

This locally levied tax of 1.25 percent applies to the adjusted gross salaries, wages and other personal service compensation earned by residents of the District. This tax began January 1, 1991. The purpose of the tax is for current expenses of the District. The tax is collected by the Ohio Department of Taxation which then makes quarterly distributions to the District. The tax distribution to the District during its 2003 fiscal year amounted to \$802,680.

**South Central Local School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

**NOTE 6 – RECEIVABLES**

Receivables at June 30, 2003, consisted of property taxes and income taxes, accounts, interfund and intergovernmental grants. 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 fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables as follows:

<u>General Fund:</u>	\$	<u>36</u>
<u>Special Revenue Funds:</u>		
Title II	\$	52,735
Title VI-B		81,129
Title I		63,492
Title V		4,178
Drug Free School Grant		<u>1,088</u>
Total Special Revenue Funds		<u>202,622</u>
<u>Enterprise Funds:</u>		
Food Service	\$	<u>10,905</u>
Total Intergovernmental Receivables	\$	<u><u>213,563</u></u>

**NOTE 7 – FIXED ASSETS**

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance on 7/1/02	Additions	Deletions	Balance on 6/30/03
Land	\$ 56,434	-	-	\$ 54,434
Land Improvements	471,500	-	-	471,500
Buildings	8,465,574	\$ 176,675	-	8,642,249
Furniture and Equipment	2,214,037	579	\$ -	2,214,616
Vehicles	<u>1,066,306</u>	<u>-</u>	<u>-</u>	<u>1,066,306</u>
 Total General Fixed Assets	 \$ <u>12,273,851</u>	 \$ <u>177,254</u>	 \$ <u>-</u>	 \$ <u>12,451,105</u>

A summary of the Proprietary Funds' fixed assets at June 30, 2003 follows:

		Enterprise Funds
Machinery and Equipment	\$	<u>270,808</u>
Less Accumulated Depreciation		<u>(164,349)</u>
Net Fixed Assets	\$	<u><u>106,459</u></u>

**South Central Local School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

**NOTE 8 – LONG TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 7/1/02	Additions	Deductions	Principal Outstanding 6/30/03
General Obligation Energy Conservation Bonds: Interest Rate 5.50% Matures 12/01/03	\$ 50,000	-	\$ (50,000)	\$ -
Classroom Facilities Improvement Bonds: Interest Rate 3.60-5.60% Matures 12/01/18	1,574,988	-	(85,000)	1,489,988
Total Long-Term Bonds	<u>1,624,988</u>	<u>-</u>	<u>(135,000)</u>	<u>1,489,988</u>
Pension Obligation	44,669	\$ 2,622	-	47,291
Compensated Absences	351,420	21,637	-	373,057
Total General Long Term Obligations	<u>\$ 2,021,077</u>	<u>\$ 24,259</u>	<u>\$ (135,000)</u>	<u>\$ 1,910,336</u>

Compensated absences and the pension obligation will be paid from the fund from which the employees’ salaries are paid. The current year activity for compensated absences is netted for practical purposes.

The School District’s overall legal debt margin was \$5,560,884 with an unvoted debt margin of \$61,788 at June 30, 2003.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003 are as follows:

Fiscal Year June 30	Principal	Interest	Total
2004	\$ 90,000	\$ 68,415	\$ 158,415
2005	95,000	64,020	159,020
2006	100,000	59,290	159,290
2007	42,360	124,480	166,840
2008-2012	262,638	583,341	845,979
2013-2017	725,000	156,100	881,100
2018	175,000	4,900	179,900
Totals	<u>\$ 1,489,998</u>	<u>\$ 1,060,546</u>	<u>\$ 2,550,544</u>

**South Central Local School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

**NOTE 9 – SEGMENT INFORMATION**

Enterprise Funds - The District maintains Enterprise Funds to account for the operations of Food Service, Uniform School Supplies, and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2003.

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 181,816	\$ 11,048	-	\$ 192,864
Operating Expenses less				
Depreciation	(302,044)	(6,277)	-	(308,321)
Depreciation Expense	(18,908)	-	-	(18,908)
Operating Income (Loss)	(139,136)	4,771	-	(134,365)
Federally Donated Commodities	32,315	-	-	32,315
Operating Grants	111,082	-	-	111,082
Other Non-operating Revenues	-	104	-	104
Interest Income	551	-	\$ 5	556
Net Income (Loss)	4,812	4,875	5	9,692
Net Working Capital	55,697	(774)	324	55,247
Total Assets	194,678	19,362	324	214,364
Total Equity	155,862	(774)	324	155,412
Encumbrances Outstanding at June 30, 2003	439	-	-	439

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The South Central Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the South Central Local School District is required to contribute an actuarially determined rate of 14%. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ending June 30, 2003, 2002, and 2001 were \$125,940 \$128,584 and \$123,176 respectively; 85 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$18,888 represents the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the General Long-Term Debt Account Group.

*South Central Local School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System

The South Central Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan members are required to contribute 9.3% of their annual covered salary and the South Central Local School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 2003, 2002, and 2001 were \$391,176, \$378,776 and \$345,704 respectively, 83.2 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$65,700 represents the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

NOTE 11 – POST EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions were 1.0 percent of covered payroll to the Health Care Stabilization Fund from which health care benefits are paid. For the School District, this amount equaled \$27,941 during fiscal 2003. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002(the latest information available).

STRS pays health care benefits from the Health Care Reserve Fund. For the year ended June 30, 2002 (the latest information available) net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.



*South Central Local School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 11 – POST EMPLOYMENT BENEFITS – (continued)

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

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002 SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$88,428 during the 2003 fiscal year.

NOTE 12 – RISK MANAGEMENT

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

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

During fiscal year 2003, the District purchased general liability insurance from KMU Insurance, which carried a \$1 million per occurrence/\$3 million general aggregate limit with an additional \$2 million umbrella coverage.

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded.

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years. Also, the District did not significantly reduce its limits of liability during the year.

*South Central Local School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

NOTE 12 – RISK MANAGEMENT (continued)

OSBA Worker’s Compensation Group Rating

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

Health Benefits

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

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

NOTE 13 – CONTINGENT LIABILITIES

A. GRANTS:

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

***South Central Local School District***  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

---

**NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS**

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of forty-one public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school district. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. All revenues are generated from a combination of State funding and an annual fee per student charged to participating districts. Financial information is available from the Erie County Educational Service Center (fiscal agent) at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**NOTE 15 - SCHOOL FUNDING DECISION**

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

The Supreme Court relinquished jurisdiction over the case and directed " the Ohio General Assembly to enact a school funding scheme that is thorough and efficient ". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**South Central Local School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2003

**NOTE 16 – ACCOUNTABILITY AND COMPLIANCE**

**LEGAL COMPLIANCE**

*Expenditures Exceeding Appropriation:* Ohio Revised Code Section 5705.41(B) prohibits the School District from making any expenditure of money unless it has been properly appropriated. The following function levels were found to have expenditures plus encumbrances exceeding appropriations, Special Revenue-Ohio Reads-Instruction-Regular (\$12,576), Title I-Instruction-Regular (\$62,404), and Capital Projects-School Net-Instruction-Regular (\$3,283).

**NOTE 17 – SET-ASIDE REQUIREMENTS**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Improvement</u>	<u>Budget Reserve</u>	<u>Total</u>
Set-aside balance as of June 30, 2002	\$ 208,900	\$ 159,560	\$ 168,961	\$ 537,421
Current year set-aside requirement	\$ 154,760	\$ 154,760	\$ 111,984	\$ 361,107
Current year offset (Interest)	\$ 3,737	\$ 3,596	\$ 3,943	\$ 11,276
Qualifying expenditures	\$ <u>(124,244)</u>	\$ <u>(61,129)</u>	\$ <u>-</u>	\$ <u>(185,373)</u>
Totals	\$ <u>243,153</u>	\$ <u>256,787</u>	\$ <u>284,888</u>	\$ <u>784,828</u>
Cash balance carried forward to FY 2003	\$ <u>243,153</u>	\$ <u>256,787</u>	\$ <u>284,888</u>	\$ <u>784,828</u>
Amount restricted for budget stabilization				\$ <u>284,888</u>
Total restricted assets				\$ <u>784,828</u>

**NOTE 18 – RESTATEMENT OF FUND BALANCE**

For the year ended June 30, 2003, the District had a prior period adjustment to the General Fund. The fund balance restatements is as follows:

Fund Balance	<u>General Fund</u>
June 30, 2002	\$ 2,703,804
Restatement	\$ <u>6,983</u>
Fund Balance	
July 1, 2002	\$ <u>2,710,787</u>

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT**  
Schedule of Federal Awards Expenditures  
For The Year Ended June 30, 2003

Federal Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts Recognized	Program Expenditures
<u>U.S. Department of Education</u>				
<i>Passed through the Ohio Department of Education:</i>				
Title I - Educationally Deprived Children	047738-C1-S1-02	84.010	\$ 122,800	\$ 18,365
	047738-C1-S1-03	84.010	<u>139,608</u>	<u>152,978</u>
Total Title I			262,408	171,343
Comprehensive School Reform Program	047738-RF-S1-01	84.332	-	29,965
	047738-RF-S2-02	84.332	<u>57,542</u>	<u>39,890</u>
Total Comprehensive School Reform Program			57,542	69,855
Title VI B - Education of all Handicapped	047738-6B-SF-02	84.027	32,995	7,315
	047738-6B-SD-03P	84.027	15,000	3,083
	047738-6B-SF-03	84.027	<u>47,019</u>	<u>51,972</u>
Total Title VI B			95,014	62,370
Safe and Drug-Free Schools and Communities	047738-DR-S1-03	84.186	<u>4,958</u>	<u>5,955</u>
Total Drug-Free			4,958	5,955
Technology Literacy Challenge Grant	047738-TFYL-02	84.318	-	5,723
	044438-TFYL-03	84.318	<u>977</u>	<u>5,446</u>
Total Technology Literacy Challenge Grant			977	11,169
Assistive Technology Infusion Grant	044738-AT-S2-03	84.352	<u>2,963</u>	<u>2,963</u>
Total Assistive Technology Infusion Grant			2,963	2,963
Eisenhower Professional Development	047738-MS-S1-01	84.281	-	1,298
	047738-MS-S1-00	84.281	-	4,969
	047738-MS-S1-02	84.281	<u>-</u>	<u>5,387</u>
Total Eisenhower Professional Development			-	11,654
Title VI - Innovative Education Program	047738-C2-S1-03	84.298	<u>917</u>	<u>5,218</u>
Total Title VI - Innovative Education Program			917	5,218
Performance Incentive Grant	047738-G2-S1-00	84.276	<u>-</u>	<u>194</u>
Total Performance Incentive Grant			-	194
Class Size Reduction	047738-CR-S1-02	84.340	17,524	-
	047738-CR-S1-03	84.340	<u>10,600</u>	<u>62,587</u>
Total Class Size Reduction			<u>28,124</u>	<u>62,587</u>
Total U. S. Department of Education			452,904	403,308
<u>U.S. Department of Labor</u>				
<i>Passed through Ohio Department of Education:</i>				
School-to-Work	047738-WK-BE-97	17.249	<u>-</u>	<u>6,835</u>
Total U.S. Department of Labor			-	6,835
<u>U.S. Department of Agriculture</u>				
<i>Passed through Ohio Department of Education:</i>				
Nutrition Cluster:				
Food Distribution	N/A	10.550	30,291	30,291
School Breakfast Program	047738-05-PU-02	10.553	16,860	16,860
National School Lunch Program	047738-04-PU-02	10.555	<u>89,857</u>	<u>89,857</u>
Total Nutrition Cluster			<u>137,008</u>	<u>137,008</u>
Total U.S. Department of Agriculture			<u>137,008</u>	<u>137,008</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE PROGRAMS			<u>\$ 589,912</u>	<u>\$ 547,151</u>

See notes to the Schedule of Federal Awards Expenditures.

*South Central Local Schools*  
Notes to the Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2003

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than the obligation is incurred.

2. Food Distribution

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had food commodities in inventory recorded in the Enterprise Fund.

3. Matching Requirements

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on this schedule.

**Charles E. Harris & Associates, Inc.**  
**Certified Public Accountants**

**Rockefeller Building**  
**614 W Superior Ave Ste 1242**  
**Cleveland OH 44113-1306**  
**Office phone - (216) 575-1630**  
**Fax - (216) 436-2411**

---

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Board of Education**  
**South Central Local School District**  
**Greenwich, Ohio**

We have audited the financial statements of the South Central Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated December 12, 2003.

**Internal Controls Over Financial Reporting**

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

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated December 12, 2003.

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

*Charles E. Harris & Associates, Inc.*  
December 12, 2003



**Charles E. Harris & Associates, Inc.**  
**Certified Public Accountants**

**Rockefeller Building**  
**614 W Superior Ave Ste 1242**  
**Cleveland OH 44113-1306**  
**Office phone - (216) 575-1630**  
**Fax - (216) 436-2411**

---

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
South Central Local School District  
Greenwich, Ohio

**Compliance**

We have audited the compliance of the South Central Local School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program cluster for the year ended June 30, 2003. The District's major federal program cluster is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program cluster is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program cluster for the year ended June 30, 2003.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

**Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.**

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

***Charles E. Harris & Associates, Inc.***  
**December 12, 2003**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT  
HURON COUNTY  
June 30, 2003**

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

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Nutrition Cluster CFDA# 10.555
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)**  
**OMB CIRCULAR A-133 SECTION .505**

**SOUTH CENTRAL LOCAL SCHOOL DISTRICT**  
**HURON COUNTY**  
**June 30, 2003**

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

None.

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

None.

**STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

**The prior audit report, as of June 30, 2002, did not include material citations or recommendations.**





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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 3, 2004**