



**Auditor of State  
Betty Montgomery**



**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Local School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

We were unable to perform procedures to satisfy ourselves that all food service revenues received were recorded in the accounting records. Food Service revenues represented 17% of total revenues in All Other Governmental Funds on the Statement of Revenues, Expenditures and Changes in Fund Balance and 1.9% of total revenues on the Statement of Activities for the year ended June 30, 2005.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine certain information regarding food service revenues, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Local School District, Williams County, Ohio, as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

January 17, 2006

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005**

**Unaudited**

The discussion and analysis of the North Central Local School District's (the District's) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2005 are as follows:

In total, net assets increased \$225,184.

General revenues accounted for \$6,210,454, or 91 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$633,797 or 9 percent of total revenues of \$6,844,251.

The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had \$5,855,008 in revenues and \$5,704,246 in expenditures. The General Fund's balance increased \$150,762 from the prior fiscal year. The Bond Retirement Fund had \$281,202 in revenues and \$279,789 in expenditures. The Bond Retirement Fund's balance increased \$1,413 from the prior fiscal year.

The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.

**Using the Basic Financial Statements**

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

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

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

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

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
(Continued)**

**Unaudited**

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

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

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

**Reporting the District's Most Significant Funds**

Fund Financial Statements

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

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

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

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



**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
(Continued)**

**Unaudited**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2005 compared to fiscal year 2004.

<b>Table 1 Net Assets Governmental Activities</b>		
	<b>2005</b>	<b>2004</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$4,509,627	\$4,190,410
Capital Assets, Net	4,256,035	4,463,921
Total Assets	8,765,662	8,654,331
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	2,771,150	2,712,120
Long-Term Liabilities	2,784,437	2,957,320
Total Liabilities	5,555,587	5,669,440
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	1,966,035	1,973,921
Restricted	1,001,293	880,341
Unrestricted	242,747	130,629
Total	\$3,210,075	\$2,984,891

The increase in current assets was primarily attributed to an increase in tangible personal property tax collections.

Table 2 reflects the changes in net assets for fiscal year 2005 compared to fiscal year 2004.

<b>Table 2 Change in Net Assets Governmental Activities</b>		
	<b>2005</b>	<b>2004</b>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$291,885	\$269,610
Operating Grants, Contributions and Interest	341,912	268,531
Capital Grants and Contributions		18,425
Total Program Revenues	633,797	556,566
General Revenues:		
Property Taxes	2,620,514	2,375,474
Grants and Entitlements	2,930,884	2,914,722
Interest	27,938	24,116
Gifts and Donations	6,480	627,354
Miscellaneous	624,638	48,528
Total General Revenues	6,210,454	5,990,194
Total Revenues	6,844,251	6,546,760

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
(Continued)**

**Unaudited**

<b><u>Expenses:</u></b>		
Instruction	3,958,507	3,930,546
Support Services:		
Pupils	164,507	164,080
Instructional Staff	254,136	277,622
Board of Education	14,459	22,316
Administration	504,911	450,671
Fiscal	169,731	186,661
Operation and Maintenance of Plant	410,075	397,063
Pupil Transportation	385,998	396,548
Central	106,503	260,418
Non-Instructional	230,533	236,608
Extracurricular Activities	186,413	194,000
Miscellaneous		18,097
Capital Outlay	158,722	160,394
Interest and Fiscal Charges	74,572	109,495
Total Expenses	<u>6,619,067</u>	<u>6,804,519</u>
Change in Net Assets	<u>\$225,184</u>	<u>(\$257,759)</u>

The decrease in expenses is largely attributed to staff reductions through RIF and attrition. In addition, supply budgets were significantly reduced. Property tax increased in fiscal year 2005 due to a new tax levy.

**Governmental Activities**

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
(Continued)**

**Unaudited**

**Table 3  
Governmental Activities**

	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2005</b>	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2004</b>
Instruction	\$3,958,507	\$3,599,509	\$3,930,546	\$3,575,591
Support Services:				
Pupils	164,507	162,065	164,080	160,796
Instructional Staff	254,136	241,673	277,622	265,092
Board of Education	14,459	14,459	22,316	22,316
Administration	504,911	504,911	450,671	450,671
Fiscal	169,731	169,731	186,661	186,661
Operation and Maintenance of Plant	410,075	410,075	397,063	397,063
Pupil Transportation	385,998	385,998	396,548	396,548
Central	106,503	101,503	260,418	260,418
Non-Instructional	230,533	16,112	236,608	99,907
Extracurricular Activities	186,413	145,940	194,000	144,904
Miscellaneous			18,097	18,097
Capital Outlay	158,722	158,722	160,394	160,394
Interest and Fiscal Charges	74,572	74,572	109,495	109,495
Total Expenses	<u>\$6,619,067</u>	<u>\$5,985,270</u>	<u>\$6,804,519</u>	<u>\$6,247,953</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 91 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 90 percent. The remaining 10 percent are derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Bond Retirement Fund. Total governmental funds had revenues of \$6,894,213 and expenditures of \$6,583,581. The net positive change of \$310,632 in fund balance for the year indicates that the District is able to meet current costs.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2005, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$6,330,843 while actual expenditures were \$5,756,421. The \$574,422 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
(Continued)**

**Unaudited**

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2005, the District had \$4,256,035 invested in capital assets (net of accumulated depreciation) for governmental activities.

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

**Debt**

At June 30, 2005, the District had \$2,290,000 in school improvement general obligation bonds for building improvements. The bonds were issued in February 2004, with final maturity in December 2015. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2005, the District's overall legal debt margin was \$5,038,458, with an un-voted debt margin of \$81,427.

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

**Current Issues**

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

The District is currently operating in the second year of the state biennium budget. The total revenue received of all funds for fiscal year 2005 was 6,928,749.48. Thirty-seven percent of District revenue sources is from local funds, 43 percent from is state funds (foundation restricted and unrestricted and 400 funds) and the remaining 4 percent is from federal funds (500 funds). The total expenditure per pupil was calculated at \$9,231 according to the Ohio Department of Education website report card information.

Recently it became necessary for the District to address a need for additional revenue. In February 2005, the District passed a five-year emergency levy to generate \$643,276 annually. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction and eventual elimination of personal property tax for business inventory.

**Contacting the District's Financial Management**

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Net Assets  
June 30, 2005**

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	2,158,690
Materials and Supplies Inventory		25,985
Accrued Interest Receivable		24
Accounts Receivable		1,212
Intergovernmental Receivable		9,807
Taxes Receivable		2,313,909
Non-Depreciable Capital Assets		607,317
Depreciable Capital Assets, net		<u>3,648,718</u>
Total Assets		<u><u>8,765,662</u></u>
 <b>LIABILITIES:</b>		
Accounts Payable		52,736
Accrued Wages and Benefits		508,619
Intergovernmental Payable		137,236
Matured Compensated Absences Payable		21,712
Deferred Revenue		2,050,847
Long-Term Liabilities:		
Due Within One Year		200,000
Due in More Than One Year		<u>2,584,437</u>
Total Liabilities		<u><u>5,555,587</u></u>
 <b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt		1,966,035
Restricted for Debt Service		731,195
Restricted for Capital Outlay		176,430
Restricted for Other Purposes		93,668
Unrestricted		<u>242,747</u>
Total Net Assets	\$	<u><u>3,210,075</u></u>

*See Accompanying Notes to the Basic Financial Statements*

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2005**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 2,639,561	\$ 123,859	\$ 65,351	\$ (2,450,351)
Special	631,445		169,788	(461,657)
Vocational	124,380			(124,380)
Other	563,121			(563,121)
Support Services:				
Pupils	164,507		2,442	(162,065)
Instructional Staff	254,136		12,463	(241,673)
Board of Education	14,459			(14,459)
Administration	504,911			(504,911)
Fiscal	169,731			(169,731)
Operation and Maintenance of Plant	410,075			(410,075)
Pupil Transportation	385,998			(385,998)
Central	106,503		5,000	(101,503)
Operation of Non-Instructional Services	230,533	127,553	86,868	(16,112)
Extracurricular Activities	186,413	40,473		(145,940)
Capital Outlay	158,722			(158,722)
Debt Service:				
Interest and Fiscal Charges	74,572			(74,572)
Totals	\$ 6,619,067	\$ 291,885	\$ 341,912	\$ (5,985,270)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				2,208,509
Property Taxes, Levied for Capital Outlay				168,058
Property Taxes, Levied for Debt Service				243,947
Grants and Entitlements not Restricted to Specific Programs				2,930,884
Gifts and Donations				6,480
Revenue in Lieu of Taxes				587,406
Investment Earnings				27,938
Miscellaneous				37,232
Total General Revenues				6,210,454
Change in Net Assets				225,184
Net Assets Beginning of Year				2,984,891
Net Assets End of Year				\$ 3,210,075

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2005**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,016,111	\$ 717,530	\$ 293,491	\$ 2,027,132
Materials and Supplies Inventory	19,908		6,077	25,985
Accrued Interest Receivable	24			24
Accounts Receivable			1,212	1,212
Interfund Receivable	16,379			16,379
Intergovernmental Receivable			9,807	9,807
Taxes Receivable	1,965,485	203,710	144,714	2,313,909
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	131,558			131,558
<b>Total Assets</b>	<b>\$ 3,149,465</b>	<b>\$ 921,240</b>	<b>\$ 455,301</b>	<b>\$ 4,526,006</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	50,700		2,036	52,736
Accrued Wages and Benefits	469,735		38,884	508,619
Interfund Payable			16,379	16,379
Intergovernmental Payable	82,475		3,688	86,163
Matured Compensated Absences Payable	21,712			21,712
Deferred Revenue	1,787,209	193,067	133,923	2,114,199
	<b>2,411,831</b>	<b>193,067</b>	<b>194,910</b>	<b>2,799,808</b>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	66,616		3,125	69,741
Reserved for Inventory	19,908		6,077	25,985
Reserved for Property Taxes	178,276	10,643	15,965	204,884
Reserved for Textbooks and Instructional Materials	131,558			131,558
Unreserved, Undesignated, Reported in:				
General Fund	341,276			341,276
Special Revenue Funds			79,376	79,376
Debt Service Funds		717,530		717,530
Capital Projects Funds			155,848	155,848
<b>Total Fund Balances</b>	<b>737,634</b>	<b>728,173</b>	<b>260,391</b>	<b>1,726,198</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,149,465</b>	<b>\$ 921,240</b>	<b>\$ 455,301</b>	<b>\$ 4,526,006</b>

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2005**

Total Governmental Fund Balances	\$	1,726,198
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		4,256,035
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental funds.		63,352
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(51,073)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(2,290,000)	
Compensated Absences Payable	<u>(494,437)</u>	
		<u>(2,784,437)</u>
Net Assets of Governmental Activities	\$	<u><u>3,210,075</u></u>

*See Accompanying Notes to the Basic Financial Statements*



**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2005**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 2,219,553	\$ 245,149	\$ 163,525	\$ 2,628,227
Intergovernmental	2,903,355	24,599	387,091	3,315,045
Interest	16,361	11,454	123	27,938
Tuition and Fees	97,499		26,075	123,574
Rent	285			285
Extracurricular Activities			40,473	40,473
Gifts and Donations	5,980		500	6,480
Customer Sales and Services			127,553	127,553
Revenue in Lieu of Taxes	587,406			587,406
Miscellaneous	24,569		12,663	37,232
Total Revenues	5,855,008	281,202	758,003	6,894,213
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,528,512		82,200	2,610,712
Special	408,919		216,610	625,529
Vocational	123,035			123,035
Other	563,121			563,121
Support Services:				
Pupils	162,248		3,377	165,625
Instructional Staff	230,072		23,607	253,679
Board of Education	14,533			14,533
Administration	486,696		6,108	492,804
Fiscal	161,072	5,217	3,864	170,153
Operation and Maintenance of Plant	403,832		326	404,158
Pupil Transportation	371,628			371,628
Central	100,816		5,000	105,816
Operation of Non-Instructional Services	3,935		223,995	227,930
Extracurricular Activities	145,827		34,459	180,286
Debt Service:				
Principal		200,000		200,000
Interest		74,572		74,572
Total Expenditures	5,704,246	279,789	599,546	6,583,581
Excess of Revenues Over Expenditures	150,762	1,413	158,457	310,632
Net Change in Fund Balances	150,762	1,413	158,457	310,632
Fund Balance at Beginning of Year	586,872	726,760	101,934	1,415,566
Fund Balance at End of Year	\$ 737,634	\$ 728,173	\$ 260,391	\$ 1,726,198

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement Activities  
For the Fiscal Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ 310,632

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

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

Capital Outlay - Depreciable Capital Assets	15,638	
Depreciation	(220,917)	
		(205,279)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets		(2,607)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	(42,249)	
Delinquent Property Taxes	(7,713)	
		(49,962)

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

200,000

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(483)	
Compensated Absences Payable	(27,117)	
		(27,600)

Change in Net Assets of Governmental Activities		\$ <u><u>225,184</u></u>
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*See Accompanying Notes to the Basic Financial Statements*

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 2,161,386	\$ 2,222,931	\$ 2,181,693	\$ (41,238)
Intergovernmental	2,929,121	3,136,216	2,903,355	(232,861)
Interest	7,567	13,748	16,337	2,589
Tuition and Fees	151,272	95,952	97,499	1,547
Rent	300	285	285	
Gifts and Donations	8,500	4,880	5,980	1,100
Miscellaneous	615,771	615,603	587,692	(27,911)
Total Revenues	<u>5,873,917</u>	<u>6,089,615</u>	<u>5,792,841</u>	<u>(296,774)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,815,322	2,745,170	2,513,110	232,060
Special	531,489	531,989	422,705	109,284
Vocational	130,240	135,143	127,512	7,631
Other	549,895	583,970	568,357	15,613
Support Services:				
Pupils	110,678	170,807	162,434	8,373
Instructional Staff	264,965	267,987	240,063	27,924
Board of Education	16,409	17,987	14,622	3,365
Administration	467,025	491,143	470,572	20,571
Fiscal	174,999	184,708	168,021	16,687
Operation and Maintenance of Plant	450,559	459,000	437,296	21,704
Pupil Transportation	418,809	422,144	380,952	41,192
Central	96,432	106,919	100,008	6,911
Operation of Non-Instructional Services	11,500	12,485	4,800	7,685
Extracurricular Activities	155,056	161,391	145,969	15,422
Total Expenditures	<u>6,193,378</u>	<u>6,290,843</u>	<u>5,756,421</u>	<u>534,422</u>
Excess of Revenues Over (Under) Expenditures	<u>(319,461)</u>	<u>(201,228)</u>	<u>36,420</u>	<u>237,648</u>
Other Financing Sources and Uses:				
Refund of Prior Year Expenditures		24,283	24,283	
Advances In		9,097	9,097	
Transfers Out	(40,000)	(40,000)		40,000
Total Other Financing Sources and Uses	<u>(40,000)</u>	<u>(6,620)</u>	<u>33,380</u>	<u>40,000</u>
Net Change in Fund Balances	(359,461)	(207,848)	69,800	277,648
Fund Balance at Beginning of Year	849,096	849,096	849,096	
Prior Year Encumbrances Appropriated	111,451	111,451	111,451	
Fund Balance at End of Year	<u>\$ 601,086</u>	<u>\$ 752,699</u>	<u>\$ 1,030,347</u>	<u>\$ 277,648</u>

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005**

	<u>Agency Fund</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>55,995</u>
Total Assets	<u>55,995</u>
<b>Liabilities</b>	
Current Liabilities:	
Undistributed Monies	<u>55,995</u>
Total Liabilities	<u>\$ 55,995</u>

*See Accompanying Notes to the Basic Financial Statements*

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

North Central Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. North Central Local School District is a local school district as defined by §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. The Board oversees the operations of the District's instructional/support facility staffed by 35 non-certified and 59 certified full-time teaching personnel who provide services to 717 students and other community members.

**The Reporting Entity**

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

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

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, Northwest Ohio Educational Research Council, Inc., and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources.

Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and the Bond Retirement Fund are the District's major governmental funds:

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of agency funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student managed activities

**C. Measurement Focus**

Government-Wide Financial Statements

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

Fund Financial Statements

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

**D. Basis of Accounting**

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Revenues - Exchange and Non-exchange Transactions

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

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

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

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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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



**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**E. Budgetary Process**

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

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

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

**F. Cash and Investments**

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

During fiscal year 2005, investments were limited to STAR Ohio.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general Fund during fiscal year 2005 amounted to \$16,361, which includes \$2,377 from the other District funds.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**G. Inventory**

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

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

**H. Restricted Assets**

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

**I. Capital Assets**

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

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

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

**J. Interfund Balances**

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

**K. Compensated Absences**

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

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

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

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

**L. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**M. Net Assets**

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

Net Assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants are restricted to expenditures for specific purposes.

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

**N. Fund Balance Reserves**

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

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

**O. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables."

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**P. Estimates**

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

**Q. Pass-Through Grants**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

**3. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**3. BUDGETARY BASIS OF ACCOUNTING – (Continued)**

Net Change in Fund Balance Major Governmental Fund	General Fund
GAAP Basis	\$150,762
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received In Cash FY 2005	140,416
Accrued FY 2005, Not Yet Received in Cash	(202,583)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(513,788)
Accrued FY 2005, Not Yet Paid in Cash	603,217
Advances Net	9,097
Encumbrances Outstanding at Year End (Budget Basis)	(117,321)
Budget Basis	\$69,800

**4. DEPOSITS AND INVESTMENTS**

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

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

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

Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**4. DEPOSITS AND INVESTMENTS – (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of any securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit of savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions, and
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptance if training requirements have been met.

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

At fiscal year end, the District had \$40 in undeposited cash on hand, which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$785,290 of the District's bank balance of \$1,675,435 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**4. DEPOSITS AND INVESTMENTS – (Continued)**

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

Investments

As of June 30, 2005, the District had a carrying value and fair value of \$641,335 invested in STAR Ohio.

Credit Risk - STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The District has no investment policy that would further limit its investment choices beyond the requirements of state statutes.

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

	<b>Cash and Cash Equivalents/ Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$2,214,685	
Cash on Hand	(40)	
Investments:		
STAR Ohio	(641,335)	\$641,335
GASB Statement No. 3	\$1,573,310	\$641,335



**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes for 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2005 were levied after April 1, 2004, on the assessed values as of December 31, 2003, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes for 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Williams County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2005 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2005, was \$178,276 in the General Fund, \$10,643 in the Bond Retirement Fund, and \$15,965 in the Capital Projects Fund. The amount available as an advance at June 30, 2004, was \$140,416 in the General Fund and \$9,618 in the Bond Retirement Fund.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**5. PROPERTY TAXES – (Continued)**

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<b>2004 Second- Half Collections</b>		<b>2005 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$54,666,920	69%	\$55,620,950	69%
Industrial/Commercial	8,944,000	11%	9,262,830	11%
Public Utility	2,227,870	3%	2,638,730	3%
Tangible Personal	12,935,350	17%	13,904,800	17%
Total Assessed Value	<u>\$78,774,140</u>	<u>100%</u>	<u>\$81,427,310</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$60.20		\$59.50	

**6. RECEIVABLES**

Receivables at June 30, 2005, consisted of property tax, accounts (rent and student fees), intergovernmental, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
Governmental Activities	
Title VI-B	\$4,290
Drug Free Schools	343
Title II-A	4,974
Miscellaneous Federal	200
Total Intergovernmental Receivables	<u>\$9,807</u>

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**7. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$607,317			\$607,317
Total Nondepreciable Capital Assets	<u>607,317</u>			<u>607,317</u>
Depreciable Capital Assets				
Land Improvements	30,538			30,538
Buildings and Building Improvements	4,647,567			4,647,567
Furniture, Fixtures, and Equipment	995,461	\$14,643	\$5,541	1,004,563
Vehicles	454,959			454,959
Infrastructure	63,583			63,583
Books	665,596	995		666,591
Total Depreciable Capital Assets	<u>6,857,704</u>	<u>15,638</u>	<u>5,541</u>	<u>6,867,801</u>
Less Accumulated Depreciation				
Land Improvements	30,301	101		30,402
Buildings and Building Improvements	1,756,665	157,827		1,914,492
Furniture, Fixtures, and Equipment	606,401	43,239	2,934	646,706
Vehicles	218,747	14,484		233,231
Infrastructure	18,280	3,179		21,459
Books	370,706	2,087		372,793
Total Accumulated Depreciation	<u>3,001,100</u>	<u>220,917</u>	<u>2,934</u>	<u>3,219,083</u>
Depreciable Capital Assets, Net	<u>3,856,604</u>	<u>(205,279)</u>	<u>2,607</u>	<u>3,648,718</u>
Governmental Activities Capital Assets, Net	<u>\$4,463,921</u>	<u>(\$205,279)</u>	<u>\$2,607</u>	<u>\$4,256,035</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$29,834
Special	137
Vocational	145
Support Services:	
Pupil	14
Instructional Staff	1,046
Administration	362
Fiscal	462
Operation and Maintenance of Plant	5,389
Pupil Transportation	14,947
Non-Instructional Services	2,229
Extracurricular	7,630
Capital Outlay	158,722
Total Depreciation Expense	<u>\$220,917</u>

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**8. RESTRICTED ASSETS**

The following amounts, which are reflected on the balance sheet, are restricted for various purposes.

	<b>General Fund</b>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$131,558

**9. RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

During fiscal year 2005, North Central Local School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects.

The District pays this annual premium to the OSP. The District contracts for education general liability, employee benefits liability, employer's liability, stop gap, errors and omissions liability, and employment practices with OSP.

Insurance coverage provided includes the following:

Education General Liability:	
Each Occurrence	\$ 1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	10,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Errors and Omissions Liability (\$2,500 deductible):	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000
Employment Practices (\$2,500 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**9. RISK MANAGEMENT – (Continued)**

Settled claims have not exceeded the amount of commercial coverage in any of the past three years, and there has been no significant reduction in the amount of insurance coverage from last year.

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool (Note 16) consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 16). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

**10. DEFINED PENSION BENEFIT PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**10. DEFINED PENSION BENEFIT PLANS – (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$73,975, \$70,815, and \$40,221, respectively, 51 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The unpaid contributions for fiscal year 2005 are \$55,356.

**B. State Teachers Retirement System**

The 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

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

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**10. DEFINED PENSION BENEFIT PLANS – (Continued)**

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

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$381,678, \$384,055, and \$259,239, respectively, 85 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is \$60,936.

**11. POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2005, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion on June 30, 2005.

For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS – (Continued)**

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the allocation rate is 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2004, the minimum pay has been established as \$24,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

The number of participants currently receiving health care benefits is approximately 62,000.

For the District, the amount to fund health care benefits, including surcharge, equaled \$54,127 during the 2005 fiscal year.

**12. COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to administrators upon termination of employment. The Superintendent earns 30 days per year of which 10 additional days must be used within the current contract year. Employees who are not on an eleven or twelve month contract do not earn vacation time. Employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 230 days.

**13. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2005, the following changes occurred in obligations reported in the Government -wide Financial Statements:



**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**13. LONG-TERM OBLIGATIONS – (Continued)**

	<u>Balance at July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2005</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$2,490,000		\$200,000	\$2,290,000	\$200,000
Compensated Absences	467,320	\$494,437	467,320	494,437	
Total Long-Term Obligations	<u>\$2,957,320</u>	<u>\$494,437</u>	<u>\$667,320</u>	<u>\$2,784,437</u>	<u>\$200,000</u>

Debt outstanding at June 30, 2005 consisted of General Obligation Bonds totaling \$2,290,000 (interest rate was 1.5 to 5.0 percent at June 30, 2005). The bonds were issued in February 2004 and will mature in December 2015.

Total expenditures for interest for the above debt for the period ended June 30, 2005, was \$74,572.

The scheduled payments of principal and interest on debt outstanding at June 30, 2005, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$200,000	\$78,000	\$278,000
2007	200,000	74,500	274,500
2008	200,000	70,500	270,500
2009	200,000	66,000	266,000
2010	200,000	60,750	260,750
2011-2015	1,025,000	190,625	1,215,625
2016	265,000	6,625	271,625
Total	<u>\$2,290,000</u>	<u>\$547,000</u>	<u>\$2,837,000</u>

**14. SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2004	\$77,987	
Current Year Set-aside Requirement	95,384	\$95,384
Qualifying Disbursements	(41,813)	(343,751)
Total	<u>\$131,558</u>	<u>(\$248,367)</u>
Cash Balance Carried Forward to FY 2006	<u>\$131,558</u>	

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

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

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

**B. Northern Buckeye Education Council**

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

**C. Four County Career Center**

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

**D. Northwestern Ohio Educational Research Council, Inc.**

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

**16. GROUP PURCHASING POOLS**

**A. NBEC Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to Northern Buckeye Education Council for insurance benefits were \$593,193. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. NBEC Workers' Compensation Group Rating Plan**

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During fiscal year 2005 the District paid an enrollment fee of \$668 to the WCGRP to cover the costs of administering the program.

**C. Ohio School Plan**

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**16. GROUP PURCHASING POOLS – (Continued)**

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

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

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003 (the latest information available):

	<u>2004</u>	<u>2003</u>
Assets	\$850,065	\$260,932
Liabilities	\$509,558	\$172,784
Members' Equity	\$340,507	\$88,148

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org).

**17. 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.

**18. INTERFUND TRANSFERS**

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

**19. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

**B. Litigation**

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

**21. COMPLIANCE**

- Contrary to Ohio law, the District posted money due to the Debt Service Fund and the Capital Projects Fund to the General Fund.
- Contrary to Ohio law, the District did not obtain an official's surety bond for the Treasurer.

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**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Local School District, Williams County (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 17, 2006, wherein we qualified our opinion for our inability to obtain sufficient evidential matter to determine that all food service revenues collected were accounted for in the All Other Governmental Funds and Governmental Activities. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-003 and 2005-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-003 listed above to be a material weakness. In a separate letter to the District's management dated January 17, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the District's management dated January 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management and the Board of Education. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

January 17, 2006



**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

Ohio Revised Code Section 3313.25 states before entering upon the duties of his office, the treasurer of each board of education shall execute a bond, in an amount and with surety to be approved by the board, payable to the state, conditioned for the faithful performance of all the official duties required of him. Such bond must be deposited with the president of the board, and a copy thereof, certified by him, shall be filed with the county auditor.

The Treasurer, Sandra Lashaway did not have a bond during fiscal year 2005. The District obtained an official's surety bond for Sandra Lashaway on December 17, 2005.

**FINDING NUMBER 2005-002**

Ohio Revised Code § 5705.10 provides that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. Furthermore, this code section requires that all revenue derived from a special levy be credited to a special fund for the purpose for which the levy was made. All revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

- In fiscal year 2005, \$44,328 of property tax revenue due to the Debt Service Fund was credited to the General Fund.
- In fiscal year 2005, \$24,599 of homestead and rollback revenues due to the Debt Service Fund was credited to the General Fund.
- In fiscal year 2005, \$15,713 of homestead and rollback revenues due to the Capital Projects Fund was credited to the General Fund.

Posting of cash assets to improper funds could cause management to draw incorrect conclusions regarding its fiscal position. We recommend the Treasurer and the Board review financial records to ensure that amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

An audit adjustment was made to the District's financial statements to properly record property tax and homestead and rollback revenues. The District has posted these adjusted differences to its books of account.

**FINDING NUMBER 2005-003**

**Food Service Revenue**

The Cafeteria Manager receives food service monies, reconciles the cash register tape to the cash collected, and deposits the collections with the Treasurer. Combining such incompatible responsibilities without compensating monitoring controls increases the risk that misstatements caused by error or fraud may occur and not be detected by management in a timely manner. It may have also contributed to an unexplained decrease in food service revenues in fiscal year 2005.

**FINDING NUMBER 2005-003  
(Continued)**

To improve controls we recommend the District separate the handling of food service cash collections from the record keeping associated with those revenues. If such a segregation of duties is not economically feasible, management should increase day to day monitoring of the collection process. This might include installation of video cameras or random onsite observations by management of revenue received. Scrutiny of records could include comparisons of current daily collections to those of the prior year or comparisons of actual revenues to estimates.

**FINDING NUMBER 2005-004**

**Payroll Clearing Account Reconciliations**

Each month the payroll clearing account bank account should be reconciled to outstanding checks and undistributed withholding payments. This procedure is an important method of detecting errors in the payroll postings and bank account records. After this procedure is completed, any errors found should be immediately corrected.

There were unexplained variances in the payroll account reconciliations for the period February 2005 through June 2005, in amount up to \$1,027. In addition there were no outstanding checks registers to support the July 2004 through June 30, 2005, outstanding check totals on the payroll account reconciliations. The Treasurer did not print the payroll check registers on a monthly basis and was unable to recover these reports for the audit.

We recommend that the Treasurer reconcile the payroll clearing account each month. The Treasurer should initial and date the reconciliations and maintain the reconciliations and a list of outstanding checks each month. Periodically, the audit committee should review the payroll reconciliations for accuracy.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Finding made for improper expenditure from a scholarship fund.	Yes	
2004-002	ORC § 3313.25 for not having an official's bond for the Treasurer.	No	Not Corrected – Reissued as Finding 2005 -001
2004-003	ORC § 5705.41(B), expenditures exceeding appropriations.	No	Partially corrected – Included in Management Letter
2004-004	ORC § 5705.10, revenues credited to the wrong fund.	No	Not Corrected – Reissued as Finding 2005-002.
2004-005	Improve Payroll Clearing Account Reconciliation Process	No	Not Corrected – Reissued as Finding 2005-004.
2004-006	Improve Controls Over Food Service Revenues	No	Not Corrected – Reissued as Finding 2005-003.





**Auditor of State  
Betty Montgomery**

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**NORTH CENTRAL LOCAL SCHOOL DISTRICT**

**WILLIAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 9, 2006**