

North Central Local School District

Wayne County, Ohio

Single Audit

July 1, 2006 Through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

**BALESTRA, HARR & SCHERER, CPAs, Inc.**

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Mary Taylor, CPA  
Auditor of State

Board of Education  
North Central Local School District  
350 South Main Street  
Creston, Ohio 44217

We have reviewed the *Independent Auditor's Report* of the North Central Local School District, Wayne County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 27, 2007

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*North Central Local School District  
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For the Fiscal Year Ended June 30, 2007*

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Ohio Society of Certified Public Accountants

**Independent Auditor's Report**

North Central Local School District  
Wayne County  
350 South Main Street  
Creston, Ohio 44217

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 the North Central Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2007, and the respective changes in cash basis financial position and the respective budgetary position of the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education  
North Central Local School District  
Independent Auditor's Report  
Page 2

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Balestra, Harr & Scherer, CPAs, Inc.

August 17, 2007

**North Central Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
Unaudited

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The discussion and analysis of North Central Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

## **HIGHLIGHTS**

**Key financial highlights for the fiscal year 2007 are as follows:**

- Net assets of governmental activities increased \$12,685,802.
- General cash receipts accounted for \$33,159,687 or 92.0% of all cash receipts. Program cash receipts in the form of charges for services, grants, and contributions, accounted for \$2,896,128 or 8.0% of total cash receipts of \$36,055,815.
- The School District had \$23,370,013 in cash disbursements related to governmental activities; only \$2,896,128 of these cash disbursements were offset by program specific charges for services, grants, and contributions.
- The District's major governmental funds are the general fund, debt service fund and classroom facilities fund. The general fund had \$10,336,183 in receipts and other financing receipts and \$9,967,727 in disbursements and other financing disbursements. During fiscal year 2007, the general fund's fund balance increased \$368,456 from \$4,174,070 to \$4,542,526.
- Another District major governmental fund is the debt service fund. The debt service fund had \$11,887,975 in receipts and other financing receipts and \$11,745,605 in disbursements, due to the issuance and subsequent payment of notes. During fiscal year 2007, the debt service fund's fund balance increased \$142,370 from \$0 to \$142,370.
- The last of the District's major governmental funds is the OSFC Projects capital projects fund. The OSFC Projects capital projects fund had \$10,808,207 in receipts and other financing receipts and \$267,222 in disbursements. During fiscal year 2007, the OSFC Projects capital projects fund's fund balance increased \$10,540,985 from \$0 to \$10,540,985.

## **USING THE BASIC FINANCIAL STATEMENTS**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the School District's cash basis of accounting.

## **REPORT COMPONENTS**

The *Statement of Net Assets* and *Statement of Activities* provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specific purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

**North Central Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
Unaudited

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**BASIS OF ACCOUNTING**

The basis of accounting is a set of guidelines that determines when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**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 2007, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other non-financial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

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

*Fund Financial Statements*

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District had three major fund in 2007: the General Fund, the Debt Service Fund and the OSFC Projects capital projects Fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the District is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities due to transfers netted on the Statement of Activities. See Note 2 to the basic financial statements in the section entitled *Government-Wide Financial Statements*.

**North Central Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2007  
Unaudited

***Fiduciary Funds***

The District only has agency funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets – Cash Basis. We excluded these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal net assets – cash basis) and do not involve measurement of results of operations. Fiduciary funds use the cash basis of accounting.

**THE DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the District as a whole on a cash basis of accounting. Table 1 provides a summary of the District's net assets for 2007 compared to 2006.

Table 1 Net Assets			
	Governmental Activities 2007	2006*	Increase/ (Decrease)
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 17,165,251	\$ 4,479,449	\$ 12,685,802
Total Assets	<u>17,165,251</u>	<u>4,479,449</u>	<u>12,685,802</u>
<b>Net Assets</b>			
Restricted for Debt Services	142,370	-	142,370
Restricted for Capital Outlay	12,234,654	144,781	12,089,873
Restricted for Other Purposes	244,242	144,107	100,135
Restricted for Permanent Fund			
Expendable	15,850	433	15,417
Nonexpendable	17,086	16,058	1,028
Unrestricted	4,511,049	4,174,070	336,979
Total Net Assets	<u>\$17,165,251</u>	<u>\$4,479,449</u>	<u>12,685,802</u>

\*As restated – see note 3 of the notes to the basic financial statements.

Total assets of the District, as a whole, increased \$12,685,802. The increase in total assets is primarily due to the voter approval of the Ohio School Facilities Commission Project. The District sold notes in the amount of \$11,400,000 to provide for its share of the Ohio School Facilities Commission project grant; and sold bonds in the amount of \$11,398,167. The proceeds for the bonds were used to redeem the notes.

The increase in unrestricted net assets is mainly due to an increase in investment income of \$392,753.

**North Central Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
 Unaudited

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Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007.

Table 2  
 Change in Net Assets

	Governmental Activities	Governmental Activities
	<u>2007</u>	<u>2006*</u>
<b>Cash Receipts</b>		
Program Cash Receipts		
Charges for Services and Sales	\$ 1,055,659	\$ 965,597
Operating Grants and Contributions	1,522,122	1,544,576
Capital Grants and Contributions	318,347	25,916
Total Program Cash Receipts	<u>2,896,128</u>	<u>2,536,089</u>
General Cash Receipts		
Property Taxes	3,464,862	3,046,125
Grants and Entitlements Not Restricted to Specific Programs	6,213,675	5,635,625
Investment Earnings	536,238	143,485
Premium on Bond and Note Sale	21,342	0
Sale of Bonds	11,398,167	0
Sale of Notes	11,400,000	0
Proceeds from Sale of Assets	7,038	10,761
Miscellaneous	118,365	118,341
Total General Cash Receipts	<u>33,159,687</u>	<u>8,954,337</u>
Total Cash Receipts	<u>36,055,815</u>	<u>11,490,426</u>

**North Central Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2007  
Unaudited

	<u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Governmental</u> <u>Activities</u> <u>2006*</u>
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	4,413,752	4,037,125
Special	1,565,565	1,103,919
Vocational	171,039	152,924
Other	600,039	989,046
Support Services:		
Pupil	465,060	391,908
Instructional Staff	404,891	426,443
Board of Education	33,881	32,837
School Administration	876,659	824,305
Fiscal	274,951	244,119
Business	0	1,699
Operation and Maintenance of Plant	603,462	589,312
Pupil Transportation	830,176	840,123
Central	24,377	23,330
Operation of Non-Instructional Services	0	53,966
Operation of Food Service	437,644	406,999
Extracurricular Activities	335,252	346,440
Capital Outlay	594,377	100,215
Debt Service:		
Principal	11,480,000	80,000
Interest and Fiscal Charges	258,888	6,800
Total Cash Disbursements	<u>23,370,013</u>	<u>10,651,510</u>
Increase in Net Assets	12,685,802	838,916
Net Assets, Beginning of Year	<u>4,479,449</u>	<u>3,640,533</u>
Net Assets, End of Year	<u>\$ 17,165,251</u>	<u>\$ 4,479,449</u>

\*As restated – see note 3 of the notes to the basic financial statements.

Program cash receipts of \$2,896,128, which are primarily represented by charges for services and sales as well as restricted grants, made up 8.0% of total cash receipts. General cash receipts of \$33,159,687 which are primarily represented by property taxes and unrestricted grants and entitlements, made up 92.0% of total cash receipts.

Debt Services and instruction costs represent the largest of the District's cash disbursements; 79.1% for fiscal year 2007. Other programs which support the instruction process, include pupils, instructional staff, and pupil transportation, account for 7.3% of program cash disbursements.

Other significant areas include administration and operation and maintenance of plant which account for 3.8% and 2.6%, respectively of program cash disbursements.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 on the following page shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

**North Central Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2007  
Unaudited

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006*	2006*
Program Cash Disbursements				
Instruction:				
Regular	\$ 4,413,752	\$4,077,844	\$ 4,037,125	\$3,788,219
Special	1,565,565	788,694	1,103,919	326,712
Vocational	171,039	161,544	152,924	144,772
Other	600,039	537,768	989,046	910,549
Support Services:				
Pupil	465,060	357,697	391,908	305,260
Instructional Staff	404,891	229,467	426,443	258,492
Board of Education	33,881	32,000	32,837	31,087
Administration	876,659	805,016	824,305	761,329
Fiscal	274,951	231,179	244,119	231,106
Business	0	0	1,699	1,699
Operation and Maintenance of Plant	603,462	567,693	589,312	555,593
Pupil Transportation	830,176	442,981	840,123	483,120
Central	24,377	6,967	23,330	5,993
Operation of Non-Instructional Services	0	0	53,966	(2,263)
Operation of Food Service	437,644	19,540	406,999	(10,554)
Extracurricular Activities	335,252	200,577	346,440	174,304
Capital Outlay	594,377	312,858	100,215	63,203
Debt Service:				
Principal	11,480,000	11,443,984	80,000	80,000
Interest and Fiscal Charges	258,888	258,076	6,800	6,800
Total	<u>\$23,370,013</u>	<u>\$20,473,885</u>	<u>\$10,651,510</u>	<u>\$8,115,421</u>

\*As restated – see note 3 of the notes to the basic financial statements.

The dependence upon tax revenues and unrestricted state entitlements is apparent as program receipts only provided for \$2,896,128 of the total program cash disbursements of \$23,370,013 for 2007.

**THE DISTRICT FUNDS**

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing receipts of \$36,148,095 and cash disbursements and other financing disbursements of \$23,462,293.

**General Fund** - The District's General Fund cash fund balance increased by \$368,456 due to an increase in interest receipts of approximately \$250,000, an increase in intergovernmental receipts of approximately \$40,000 and an increase in property tax receipts of approximately \$40,000.

**Debt Service Fund** - Another District major governmental fund is the debt service fund. The debt service fund had \$11,887,975 in receipts and other financing receipts and \$11,745,605 in disbursements. During fiscal year 2007, the debt service fund's fund balance increased \$142,370 from \$0 to \$142,370.

**North Central Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
 Unaudited

**OSFC Projects Capital Projects Fund** - The last of the District's major governmental funds is the classroom facilities fund. The OSFC Projects Capital Projects fund had \$10,808,207 in receipts and other financing receipts and \$267,222 in disbursements. During fiscal year 2007, the OSFC Projects Capital Projects fund's fund balance increased \$10,540,985 from \$0 to \$10,540,985.

**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 2007, no revisions were made to the General Fund estimated receipts. However, the General Fund had decreases in the amount of \$339,370 in the appropriations from the original budget to the final budget. The decreases were the result of revisions to original expenditures projections. The General Fund's ending unobligated cash balance was \$4,511,049.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District had capital outlay disbursements of \$594,377 during fiscal year 2007.

**Debt**

Under the cash basis of accounting the District does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds, long-term notes and short-term notes. At June 30, 2007 the District had \$11,398,167 in bonds for Governmental Activities. For additional information regarding debt, please see note 8 of the notes to the basic financial statements.

Table 4 summarizes bonds outstanding for Governmental Activities for the past two years:

Table 4  
 Outstanding Debt at June 30  
 Governmental Activities

	2007	2006
Energy Conservation Bonds (1996) 5.7%	\$ 0	\$ 80,000
Various Purposes Bonds 4.15%	1,598,170	0
2007 Classroom Facilities Bond 4.3%	9,799,997	0
Totals long term bonds	\$11,398,167	\$ 80,000

**CURRENT ISSUES**

State law fixes the amount of tax revenue, forcing it to remain constant except for new valuations in the District. Management must plan expenses accordingly, staying within the District's five-year plan. 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 decisions are 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 on its financial operations. Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

**CONTACTING THE SCHOOL 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 show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Robert Rinehart, Treasurer at North Central Local School District, 350 South Main Street, Creston, Ohio 44217.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2007**

	<b>Governmental Activities</b>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 17,165,251
<i>Total Assets</i>	17,165,251
NET ASSETS:	
Restricted for Debt Service	142,370
Restricted for Capital Outlay	12,234,654
Restricted for Other Purposes	244,242
Restricted for Permanent Fund	
Expendable	15,850
Nonexpendable	17,086
Unrestricted	4,511,049
<i>Total Net Assets</i>	\$ 17,165,251

The notes to the basic financial statement are an integral part of this statement

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Program Receipts</u>				<u>Total</u>
	<u>Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Instruction:					
Regular	\$ 4,413,752	\$ 295,902	\$ 40,006	\$ -	\$ (4,077,844)
Special	1,565,565	64,356	712,515	-	(788,694)
Vocational	171,039	9,495	-	-	(161,544)
Other	600,039	33,124	29,147	-	(537,768)
Support Services:					
Pupils	465,060	83,605	23,758	-	(357,697)
Instructional Staff	404,891	13,596	161,828	-	(229,467)
Board of Education	33,881	1,881	-	-	(32,000)
School Administration	876,659	47,318	24,325	-	(805,016)
Fiscal	274,951	14,755	29,017	-	(231,179)
Operation and Maintenance of Plant	603,462	33,369	2,400	-	(567,693)
Pupil Transportation	830,176	47,633	339,562	-	(442,981)
Central	24,377	410	17,000	-	(6,967)
Operation of Food Service	437,644	275,540	142,564	-	(19,540)
Extracurricular Activities	335,252	134,675	-	-	(200,577)
Capital Outlay	594,377	-	-	281,519	(312,858)
Debt Service:					
Principal	11,480,000	-	-	36,016	(11,443,984)
Interest	258,888	-	-	812	(258,076)
<b>Total Governmental Activities</b>	<b>\$ 23,370,013</b>	<b>\$ 1,055,659</b>	<b>\$ 1,522,122</b>	<b>\$ 318,347</b>	<b>\$ (20,473,885)</b>
<b>General Receipts:</b>					
Property Taxes Levied for:					
General Purposes					3,115,525
Debt service					349,337
Grants and Entitlements not Restricted to Specific Programs					6,213,675
Proceeds from the Sale of Notes					11,400,000
Proceeds from the Sale of Bonds					11,398,167
Premium and Accrued Interest					21,342
Proceeds from Sale of Assets					7,038
Investment Earnings					536,238
Miscellaneous					118,365
<b>Total General Receipts</b>					<b>33,159,687</b>
Change in Net Assets					12,685,802
<i>Net Assets at Beginning of Year (Restated - See Note 3)</i>					<b>4,479,449</b>
<i>Net Assets at End of Year</i>					<b>\$ 17,165,251</b>

The notes to the basic financial statement are an integral part of this statement

**NORTH CENTRAL LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY**  
**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<u>General</u>	<u>Debt Service</u>	<u>OSFC Projects</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 4,542,526	\$ 142,370	\$ 10,540,985	\$ 1,939,370	\$ 17,165,251
<i>Total Assets</i>	<u>4,542,526</u>	<u>142,370</u>	<u>10,540,985</u>	<u>1,939,370</u>	<u>17,165,251</u>
<b>FUND BALANCES:</b>					
Reserved:					
Reserved for Encumbrances	31,477	-	339,878	17,606	388,961
Reserved for Endowment	-	-	-	17,086	17,086
Reserved for Debt Service	-	142,370	-	-	142,370
Unreserved, Undesignated, Reported in:					
General Fund	4,511,049	-	-	-	4,511,049
Special Revenue Funds	-	-	-	196,587	196,587
Capital Projects Funds	-	-	10,201,107	1,692,241	11,893,348
Permanent Fund	-	-	-	15,850	15,850
<i>Total Fund Balances</i>	<u>\$ 4,542,526</u>	<u>\$ 142,370</u>	<u>\$ 10,540,985</u>	<u>\$ 1,939,370</u>	<u>\$ 17,165,251</u>

The notes to the basic financial statement are an integral part of this statement

**NORTH CENTRAL LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Debt Service</u>	<u>OSFC Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>CASH RECEIPTS</b>					
Taxes	\$ 2,980,935	\$ 349,337	\$ -	\$ 134,590	\$ 3,464,862
Intergovernmental	6,371,798	36,849	775,000	870,497	8,054,144
Tuition and Fees	493,262	-	-	-	493,262
Investment Earnings	398,016	-	100,129	38,093	536,238
Extracurricular Activities	-	-	-	191,451	191,451
Charges for Services	39,710	-	-	331,236	370,946
Miscellaneous	45,424	-	-	72,941	118,365
	<u>10,329,145</u>	<u>386,186</u>	<u>875,129</u>	<u>1,638,808</u>	<u>13,229,268</u>
Total Receipts					
<b>CASH DISBURSEMENTS</b>					
Instruction:					
Regular	4,326,802	-	-	86,950	4,413,752
Special	1,159,234	-	-	406,331	1,565,565
Vocational	171,039	-	-	-	171,039
Other	596,665	-	-	3,374	600,039
Support Services:					
Pupils	325,330	-	-	139,730	465,060
Instructional Staff	244,905	-	-	159,986	404,891
Board of Education	33,881	-	-	-	33,881
School Administration	852,334	-	-	24,325	876,659
Fiscal	265,778	6,717	-	2,456	274,951
Operation and Maintenance of Plant	601,062	-	-	2,400	603,462
Pupil Transportation	828,008	-	-	2,168	830,176
Central	7,377	-	-	17,000	24,377
Operation of Food Service	-	-	-	437,644	437,644
Extracurricular Activities	187,909	-	-	147,343	335,252
Architecture and Engineering	-	-	4,200	-	4,200
Building Acquisition and Construction	-	-	263,022	-	263,022
Other Facilities Acquisition	275,123	-	-	52,032	327,155
Debt Service:					
Principal	-	11,480,000	-	-	11,480,000
Interest	-	258,888	-	-	258,888
	<u>9,875,447</u>	<u>11,745,605</u>	<u>267,222</u>	<u>1,481,739</u>	<u>23,370,013</u>
Total Disbursements					
Total Cash Receipts Over/(Under) Disbursements	453,698	(11,359,419)	607,907	157,069	(10,140,745)
<b>Other Financing Receipts (Disbursements)</b>					
Transfers-In	-	82,280	-	10,000	92,280
Premium and Accrued Interest	-	21,342	-	-	21,342
Sale of Assets	7,038	-	-	-	7,038
Sale of Bonds	-	11,398,167	-	-	11,398,167
Sale of Notes	-	-	9,933,078	1,466,922	11,400,000
Transfers-Out	(92,280)	-	-	-	(92,280)
	<u>(85,242)</u>	<u>11,501,789</u>	<u>9,933,078</u>	<u>1,476,922</u>	<u>22,826,547</u>
Total Other Financing Receipts (Disbursements)					
Net Change in Fund Balances	368,456	142,370	10,540,985	1,633,991	12,685,802
Fund Balances, July 1, 2006 - (Restated - See Note 3)	4,174,070	-	-	305,379	4,479,449
	<u>4,542,526</u>	<u>142,370</u>	<u>10,540,985</u>	<u>1,939,370</u>	<u>17,165,251</u>
<b>Fund Balances, June 30, 2007</b>					

The notes to the basic financial statement are an integral part of this statement

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>CASH RECEIPTS</b>				
Taxes	\$ 3,033,500	\$ 3,033,500	\$ 2,980,935	\$ (52,565)
Intergovernmental	6,292,000	6,292,000	6,371,798	79,798
Tuition and Fees	470,000	470,000	493,262	23,262
Investment Earnings	140,000	140,000	398,016	258,016
Charges for Services	39,000	39,000	39,710	710
Miscellaneous	62,600	62,600	45,424	(17,176)
<b>Total Cash Receipts</b>	<u>10,037,100</u>	<u>10,037,100</u>	<u>10,329,145</u>	<u>292,045</u>
<b>CASH DISBURSEMENTS</b>				
Current:				
Instruction:				
Regular	4,647,524	4,498,148	4,341,448	156,700
Special	1,098,900	1,063,580	1,161,780	(98,200)
Vocational	166,800	161,439	172,653	(11,214)
Other	576,400	557,874	596,665	(38,791)
Support Services:				
Pupils	394,099	381,432	325,650	55,782
Instructional Staff	351,050	339,767	244,984	94,783
Board of Education	41,550	40,215	33,881	6,334
School Administration	929,050	899,189	852,441	46,748
Fiscal	277,300	268,387	265,954	2,433
Operation and Maintenance of Plant	750,763	726,633	601,107	125,526
Pupil Transportation	861,084	833,408	828,352	5,056
Central	65,700	63,588	7,377	56,211
Extracurricular Activities	228,600	221,253	187,909	33,344
Capital Outlay	170,000	164,536	286,723	(122,187)
<b>Total Cash Disbursements</b>	<u>10,558,820</u>	<u>10,219,450</u>	<u>9,906,924</u>	<u>312,526</u>
Excess of Cash Receipts Over (Under) Disbursements	<u>(521,720)</u>	<u>(182,350)</u>	<u>422,221</u>	<u>(20,481)</u>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS)</b>				
Proceeds from the Sale of Assets	-	-	7,038	7,038
Transfers Out	(85,000)	(85,000)	(92,280)	(7,280)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>(85,000)</u>	<u>(85,000)</u>	<u>(85,242)</u>	<u>(7,280)</u>
Net Change in Fund Balance	(606,720)	(267,350)	336,979	(27,761)
Fund Balance at Beginning of Year	4,169,700	4,169,700	4,169,700	-
Prior Year Encumbrances Appropriated	4,370	4,370	4,370	-
<b>Fund Balance at End of Year</b>	<u>\$ 3,567,350</u>	<u>\$ 3,906,720</u>	<u>\$ 4,511,049</u>	<u>\$ (27,761)</u>

The notes to the basic financial statements are an integral part of this statement.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUND  
JUNE 30, 2007**

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	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 38,839
<i>Total Assets</i>	<u>38,839</u>
NET ASSETS:	
Unrestricted	38,839
<i>Total Net Assets</i>	<u>\$ 38,839</u>

The notes to the basic financial statement are an integral part of this statement

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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

**Description of the Entity**

North Central Local School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services to approximately 1,400 students and community members as authorized by state statute and/or federal guidelines. The District was established in **1952** through the consolidation of existing school districts. The District serves an area of approximately 79 square miles, is located in Medina and Wayne County, and includes all of the Villages of Burbank, Creston, and Sterling.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure 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. For the District, this includes general operations, food service and student related activities.

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. There are no component units of the District.

The District is associated with a jointly governed organization and a public entity risk pool. These organizations are the Tri-County Computer Services Association (TCCSA) and the Wayne County Schools Council for Health Care Benefit Program. These organizations are presented in Notes 13 and 14.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following are the District's major governmental funds:

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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

*General Fund*

The General Fund is the general operating fund of the District and 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.

*Debt Service Fund*

The Debt Service Fund is provided for the retirement of long-term debt. This fund receives tax monies for the repayment of such debt.

*OSFC Projects Capital Projects Fund*

The OSFC Projects Capital Projects Fund is provided to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

The other governmental funds of the District account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The District's only fiduciary funds are agency funds.

*Agency Funds*

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The District's agency funds are used to account for student-managed activities.

**Basis of Presentation**

The District uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. 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 that provide a more detailed level of financial information.

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**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-cash basis presents the cash basis financial condition of governmental activities of the District at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts 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. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts 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 fund financial statements is on major funds rather than reporting funds by type. The District's major funds are presented in separate columns. Non-major funds are aggregated and presented in a single column.

**Basis of Accounting**

Although required by the Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Cash Receipts – Exchange and Non-exchange Transactions**

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the taxes are received. Receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

**Cash Disbursements**

On the cash basis of accounting, disbursements are recognized at the time payments are made.

**Budgetary Process**

**Budget**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Medina and Wayne County Budget Commissions for rate determination.

**Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. Budget receipts as shown in the accompanying financial statements do not include July 1, 2006 unencumbered fund balances. However, those fund balances were available for appropriation.

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts reflect the amounts in the amended certificate in effect when the final appropriations for the fiscal year were passed.

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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

**Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriate resolutions, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures that appear in the statement of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**Cash and Cash Equivalents and Investments**

Cash and cash equivalents consist of the total of fund cash balances of all funds as of June 30, 2007. To improve cash management, cash received by the District is pooled. Individual fund integrity is maintained throughout the District's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to School Board policy. For fiscal year 2007, interest receipts amounted to \$536,238 of which \$398,016 was recorded in the General Fund and \$138,222 was recorded in other Governmental Funds.

During fiscal year 2007, investments were limited to STAR Ohio, Fifth Third U.S. Treasury money market accounts, Federal Home Loan Bank Securities, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Discount Notes, and Federal National Mortgage Corporation Bonds. Investments are reported at cost.

**Capital Assets**

Property, plant, and equipment acquired or constructed by the District are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting as described in Note 1, capital assets and the related depreciation are not reported separately on the financial statements.

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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

**Compensated Absences**

Accumulated unpaid vacation leave, sick leave, and personal leave are not accrued under the cash basis of accounting as described in Note 1. All leave will either be utilized by time off from work or, within certain limitations, be paid to employees

**Long-Term Obligations**

In general, bonds, long-term loans, and capital leases are recorded as cash disbursements in the basic financial statements when paid and are not accrued under the cash basis of accounting as previously described in Note 2.

**Net Assets**

Net assets represent the difference between assets and liabilities. On the cash basis of accounting net assets equal assets since liabilities are not recorded. 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. Restricted for Other Purposes is comprised of net assets restricted for grants. The District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available. The District has no net assets restricted by enabling legislation.

**Interfund Transactions**

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements 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 cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements transfers within governmental activities are eliminated.

**3. PRIOR PERIOD ADJUSTMENT**

For the fiscal year ended June 30, 2006, a misstatement of \$32,885 was identified in audit as an immaterial unadjusted difference resulting from overstated expenditures. For the fiscal year ended June 30, 2007, the District opted to correct beginning balances. This required correction of beginning net assets/fund balances as follows:

	As Reported	As Corrected
Net Assets		
Governmental Activities, 6/30/06	\$4,446,564	\$4,479,449
Fund Balances		
Other Governmental Funds, 6/30/06	272,494	305,379

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**4. EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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

Interim monies are permitted to be deposited or invested in the following securities.

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by a federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the District;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio;
10. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
11. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

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

**Deposits:**

The District's deposits are required to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered deposits which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty or by its trust department or agent but not in the District's name. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

At June 30, 2007, the carrying amount of the District's deposits was \$999,911 and the bank balance was \$1,189,467. Of the bank balance, \$222,581 in deposits was insured by the Federal Depository Insurance Corporation and the remainder was covered by collateral held in the pledging bank's trust department in the District's name.

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

**Investments:**

As of June 30, 2007, the District had the following investments and maturities:

	Carrying Value	Investment Maturities (in years)		Concentration of Credit Risk
		Less than 1	1-2	
STAR Ohio	\$4,973,950	\$4,973,950	\$0	30.7%
Federal Home Loan Bank Bonds	1,101,086	0	1,101,086	6.8%
Federal Home Loan Mortgage Corporation Discount Notes	7,798,083	7,798,083	0	48.1%
Federal National Mortgage Corporation Bonds	2,000,148	299,482	1,700,666	12.3%
Fifth Third U.S. Treasury Money Market Fund	330,912	330,912	0	2.1%
<b>Total</b>	<u>\$16,204,179</u>	<u>\$13,402,427</u>	<u>\$2,801,752</u>	

Interest rate risk – As a means of limiting its exposure to fair value losses caused by rising interest rates, the District attempts, to the extent possible, to match investments with anticipated cash flow requirements. Unless matched to a specific obligation or debt of the District, the District will not directly invest in securities maturing more than five years from the date of investment.

Credit risk – Investments in STAR Ohio and the Fifth Third U.S. Treasury Money Market Fund were rated AAAM by Standard & Poor's. The Federal Home Loan Mortgage Corporation Discount Notes are all short term securities rated A-1+ by Standard & Poor's and Prime-1 by Moody's. The Federal Home Loan Bank Bond long term securities are rated AAA by Standard & Poor's and Aaa by Moody's. The Federal National Mortgage Association Bond long term securities are rated AAA by Standard & Poor's and Aaa by Moody's. The District limits their investments to those authorized by state statute.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of credit risk – The District places no limit on the amount it may invest in any one issuer. See above for the concentration of credit risk for the District's investments. The investments in STAR Ohio and the money market fund have investment maturities of 0 days.

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**5. BUDGETARY BASIS FUND BALANCES**

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. The Table below presents those differences for the District's Major Fund:

	General Fund
Budgetary Basis Fund Balance	\$4,511,049
Encumbrances	31,477
Fund Cash Balance	\$4,542,526

**6. PROPERTY TAX**

Real property taxes are levied on assessed values, which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 2006.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the tax (calendar) year 2006 was \$35.90 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$28.14 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$28.23 per \$1,000 of assessed valuation for all other real property.

Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the tax (calendar) year 2006 was \$35.90 per \$1,000 of assessed valuation.

The Wayne County Treasurer collects property tax on behalf of all taxing districts within the county. The Wayne County Auditor periodically remits to the taxing districts their portions of the taxes collected.

**7. SHORT TERM NOTE**

The District's note transactions for the year ended June 30, 2007 were as follows:

	Interest Rate	July 1, 2006	Additions	Reductions	June 30, 2007
<u>Governmental Activities</u>					
2007 Classroom Facility Note	4.75%	\$ -	\$ 9,800,000	\$ 9,800,000	\$ -
2007 Various Purpose Note	4.88%	-	1,600,000	1,600,000	-
Total Governmental Activities		\$ -	\$ 11,400,000	\$ 11,400,000	\$ -

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**7. SHORT TERM NOTE (Continued)**

The District issued two bond anticipation notes in 2007 to provide for the initial portion of the District's share in the Ohio School Facility Commission Master Plan for classroom construction. The notes were paid off during the year with the proceeds of the long-term bonds issued by the District and are described in Note 8.

**8. LONG-TERM DEBT**

Under the cash basis of accounting as described in Note 2, the District does not record debt in the accompanying basic financial statements.

The changes in the District's long-term obligations during fiscal year 2006 were as follows:

	Interest Rate	Principal Outstanding 7/1/06	Additions	Reductions	Principal Outstanding 6/30/07	Amount Due Within One Year
General Obligation Bonds:						
2007 Classroom Facility Improvement Bonds	4.30%	\$ -	\$ 9,799,997	\$ -	\$ 9,799,997	\$ 100,000
					-	
2007 Various Purpose Bonds	3,8 - 4.15%	-	1,598,170	-	1,598,170	60,000
Energy Conservation 1996	5.70%	80,000	-	80,000	-	-
<b>Total General Obligation Bonds</b>		<b>\$ 80,000</b>	<b>\$ 11,398,167</b>	<b>\$ 80,000</b>	<b>\$ 11,398,167</b>	<b>\$ 160,000</b>

Energy Conservation General Obligation Bonds - On August 1, 1996, the District issued \$645,000 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The bonds were issued for a 10-year period with final maturity of December 1, 2006. The bonds were retired from the debt service fund.

The 2007 Classroom Facility Improvement Bonds were approved by the voters on November 7, 2006 and issued in 2007 for \$9,799,997 in general obligation bonds. The bonds were used to redeem the bond anticipation notes issued by the District to provide for its share of the Ohio School Facility Commission classroom construction grant. The bonds were issued for a 27 year period with final maturity of December 1, 2033. The bonds will be retired from the debt service fund.

The 2007 Various Purpose Bonds were approved by the voters on November 7, 2006 and issued in 2007 for a total of \$1,598,170 in general obligation bonds. The bonds were used to redeem the bond anticipation notes issued by the District to provide for its share of the Ohio School Facility Commission classroom construction grant. The bonds were issued for a 27 year period with final maturity of December 1, 2033. The bonds will be retired from the debt service fund.

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**8. LONG-TERM DEBT (Continued)**

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2007 are as follows:

Fiscal Year Ending June 30	Classroom Facility Bonds			Various Improvement Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 100,000	\$ 301,297	\$ 401,297	\$ 60,000	\$ 219,034	\$ 279,034
2009	270,000	219,034	489,034	45,000	213,634	258,634
2010	235,000	207,634	442,634	45,000	207,634	252,634
2011	245,000	201,434	446,434	45,000	201,434	246,434
2012	255,000	194,934	449,934	50,000	194,934	244,934
2013-2017	1,704,997	1,456,102	3,161,099	138,170	898,170	1,036,340
2018-2022	1,735,000	763,470	2,498,470	-	763,470	763,470
2023-2027	2,110,000	536,570	2,646,570	410,000	536,570	946,570
2028-2032	2,570,000	261,398	2,831,398	360,000	275,473	635,473
2032 -2033	575,000	14,056	589,056	445,000	-	445,000
Total	<u>\$ 9,799,997</u>	<u>\$ 4,155,929</u>	<u>\$ 13,955,926</u>	<u>\$ 1,598,170</u>	<u>\$ 3,510,353</u>	<u>\$ 5,108,523</u>

**9. RISK MANAGEMENT**

The District maintains comprehensive insurance coverage with Ohio School Risk Sharing Authority for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and building contents are 100% coinsured. Settled claims have not exceeded this coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Gates McDonald. provides administrative, cost control and actuarial services to the GRP.

The District also participates in the Medina and Wayne County Health Trust in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**10. DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides retirement and disability 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. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad Street, Columbus, Ohio 43215.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate, currently 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions to SERS for the years ended June 30, 2007, 2006 and 2005 were approximately \$166,008, \$162,156, and \$157,500, respectively. All required contributions have been made by the District.

**State Teachers Retirement System**

The District contributed to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer defined benefit pension plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount.

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For fiscal year 2007 plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the years ended June 30, 2007, 2006 and 2005 were approximately \$649,932, \$599,412, and \$587,220, respectively.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, none of the members of the Board of Education had elected social security.

**11. POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year 2007, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$46,424 for fiscal year 2007.

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

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**11. POSTEMPLOYMENT BENEFITS (Continued)**

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year-ended June 30, 2006 (the latest information available), employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$61,088.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year-ended June 30, 2006, were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

**12. REQUIRED SET-ASIDES**

The District is required by the state law 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 fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. Prior to April 10, 2001 the District was required to set aside money for budget stabilization.

	Textbooks	Capital Maintenance
Set-Aside Reserve Balance as of June 30, 2006	(\$125,562)	\$0
Current Year Set-Aside Requirement	201,175	201,175
Current Year Offsets	0	(114,492)
Qualifying Disbursements	(175,479)	(263,671)
Totals	(\$99,866)	(\$176,988)
Set-Aside Balance Carried Forward to Future Fiscal Years	(\$99,866)	\$0
Set-Aside Reserve Balance as of June 30, 2007	\$0	\$0

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**12. REQUIRED SET-ASIDES (Continued)**

The District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the textbook set-aside. This extra amount may be used to reduce the set-aside requirement of future years. Although, the District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

**13. JOINTLY GOVERNED ORGANIZATION**

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support TCCSA based on a per-pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the treasurer at the Tri-County Educational Service Center which serves as the fiscal agent located in Wooster, Ohio.

**14. PUBLIC ENTITY RISK POOL**

The Wayne County Schools Council for Health Care Benefit Program is a shared risk pool created pursuant to state statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating school district (usually superintendent, treasurer or executive member of governing body). The Council elects officers to serve on the Board of Directors. The assembly exercises control over the operation of the Council. Council revenues are generated from charges for services received from participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

**15. INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2007, were as follows:

Fund:	Transfer To:	Transfer From:
General Fund	\$0	\$92,280
Major Debt Service Fund	82,280	0
Non-Major Food Service Fund	10,000	0
Total	\$92,280	\$92,280

Transfers were made from the General Fund to the Debt Service Fund to make required debt service payments for 2007 and to the Food Service Fund to subsidize its loss.

North Central Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**16. 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 are 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, 2007.

**B. Litigation**

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

**North Central Local School District  
Wayne County**

**Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2007**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
Child and Adult Care Food Program	CCMO	10.558	\$ 10,117	\$ -	\$ 10,117	\$ -
Food Donation	N/A	10.550	-	38,208	-	38,208
<i>Nutrition Cluster:</i>						
School Breakfast Program	05PU	10.553	26,965	-	26,965	-
National School Lunch Program	LLP4	10.555	105,481	-	105,481	-
Total Nutrition Cluster			<u>132,446</u>	<u>-</u>	<u>132,446</u>	<u>-</u>
<b>Total United States Department of Agriculture</b>			142,563	38,208	142,563	38,208
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1S1	84.010	121,628	-	121,628	-
Special Education Grants to States	6BSF	84.027	293,073	-	293,073	-
Safe & Drug Free Schools and Communities State Grants	DRS1	84.186	3,650	-	3,650	-
State Grant for Innovative Programs	C2S1	84.298	1,955	-	1,955	-
Education Technology State Grants	TJS1	84.318	821	-	821	-
Improving Teacher Quality State Grants	TRS1	84.367	45,239	-	45,239	-
<b>Total United States Department of Education</b>			<u>466,366</u>	<u>-</u>	<u>466,366</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 608,929</u>	<u>\$ 38,208</u>	<u>\$ 608,929</u>	<u>\$ 38,208</u>

N/A - Not Available

See accompanying notes to the Schedule of Federal Awards Expenditures

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
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Ohio Society of Certified Public Accountants

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

North Central Local School District  
Wayne County, Ohio  
350 South Main Street  
Creston, OH 44217

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Central Local School District, Wayne County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 17, 2007, wherein we noted the District followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

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

North Central Local School District  
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, and is reported on the accompanying Schedule of Findings and Questioned Costs under item No. 2007-001.

We noted a certain matter that we reported to management of the District in a separate letter dated August 17, 2007.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion it.

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



Balestra, Harr & Scherer, CPAs, Inc.

August 17, 2007

# BALESTRA, HARR & SCHERER CPAs, INC.

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## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

North Central Local School District  
Wayne County, Ohio  
350 South Main Street  
Creston, OH 44217

### **Compliance**

We have audited the compliance of North Central Local School District, Wayne County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

### **Internal Control Over Compliance**

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

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

North Central Local School District  
Wayne County, Ohio  
Report on Compliance With Requirements Applicable to Each Major Program and  
on Internal Control Over Compliance in Accordance With OMB Circular A - 133  
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

August 17, 2007

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 SECTION .505  
JUNE 30, 2007**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant control deficiencies reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA #84.027, Special Education – Grants to States
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 SECTION .505  
JUNE 30, 2007**

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

**Ohio Revised Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

**Client Response:**

The North Central Local School Board does not feel that it is cost effective to produce the financial statements in accordance with GAAP. All of the District’s financial reports are given to the community and Board on a cash basis during the year. We feel that by filing the accepted cash (not GAAP) financial statements serves our district and community in the most cost effective manner.

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

None

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-001	Ohio Administrative Code Section 117-2-03(B)-Not reporting GAAP	No	Not Corrected. Reissued as finding 2007-001.



**Mary Taylor, CPA**  
Auditor of State

**NORTH CENTRAL LOCAL SCHOOL DISTRICT**

**WAYNE 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  
DECEMBER 11, 2007**