



**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Central Local School District
Defiance County
06289 US Route 127
Sherwood, Ohio 43556-9735

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Central Local School District, Defiance County, (the School District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Central Local School District, Defiance County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2000 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 18, 2000

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**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

| | Governmental Fund Types | | | |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| ASSETS AND OTHER DEBITS | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,103,498 | \$180,795 | | \$3,002,488 |
| Cash and Cash Equivalents: | | | | |
| With Fiscal Agents | | 1,884 | | |
| Receivables: | | | | |
| Taxes | 2,024,230 | 36,356 | \$168,888 | 42,008 |
| Accounts | 38,093 | 761 | | |
| Intergovernmental | 5,964 | | | |
| Accrued Interest | 23,666 | | | |
| Interfund Receivable | 8,629 | | | |
| Income Tax | 228,406 | | | |
| Materials and Supplies Inventory | 107,728 | 1,900 | | |
| Prepaid Items | 8,381 | | | |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 169,634 | | | |
| Fixed Assets | | | | |
| Accumulated Depreciation | | | | |
| Other Debits: | | | | |
| Provided from General Government Resources | | | | |
| Total Assets and Other Debits | <u>\$4,718,229</u> | <u>\$221,696</u> | <u>\$168,888</u> | <u>\$3,044,496</u> |

| Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|--------------------------|-------------------------|----------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust and Agency | | | |
| \$57,804 | \$45,501 | | | \$5,390,086 |
| | | | | 1,884 |
| | | | | 2,271,482 |
| 4,079 | | | | 42,933 |
| | | | | 5,964 |
| | | | | 23,666 |
| | | | | 8,629 |
| | | | | 228,406 |
| 20,311 | | | | 129,939 |
| | | | | 8,381 |
| | | | | 169,634 |
| 107,415 (74,355) | | \$8,023,898 | | 8,131,313 (74,355) |
| | | | \$3,455,878 | 3,455,878 |
| \$115,254 | \$45,501 | \$8,023,898 | \$3,455,878 | \$19,793,840 |

(Continued)

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)**

| | <u>Governmental Fund Types</u> | | | |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> |
| LIABILITIES, FUND EQUITY, AND OTHER CREDITS | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$11,101 | \$1,558 | | |
| Accrued Wages and Benefits | 587,380 | 7,981 | | |
| Compensated Absences Payable | 65,273 | | | |
| Interfund Payable | | 8,629 | | |
| Intergovernmental Payable | 102,355 | 1,697 | | |
| Deferred Revenue | 1,840,346 | 36,356 | \$151,413 | \$38,170 |
| Undistributed Monies | | | | |
| Due to Students | | | | |
| General Obligation Bonds Payable | | | | |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Liabilities | 2,606,455 | 56,221 | 151,413 | 38,170 |
| Fund Equity and Other Credits: | | | | |
| Investment in General Fixed Assets | | | | |
| Contributed Capital | | | | |
| Retained Earnings | | | | |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Reserved for Encumbrances | 441,915 | 33,796 | | 40,160 |
| Reserved for Inventory | 107,728 | 1,900 | | |
| Reserved for Prepaid Items | 8,381 | | | |
| Reserved for Advances | 8,629 | | | |
| Reserve for Endowment | | | | |
| Reserved for Property Taxes | 183,884 | | 17,475 | 3,838 |
| Reserved for Textbooks & Instructional Materials | 4,852 | | | |
| Reserved for Capital Improvements | 86,998 | | | |
| Reserved for Budget Stabilization | 77,784 | | | |
| Unreserved: | | | | |
| Unreserved, Undesignated | 1,191,603 | 129,779 | | 2,962,328 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Fund Equity and Other Credits | 2,111,774 | 165,475 | 17,475 | 3,006,326 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Liabilities, Fund Equity and Other Credits | <u>\$4,718,229</u> | <u>\$221,696</u> | <u>\$168,888</u> | <u>\$3,044,496</u> |

The notes to the general-purpose financial statements are an integral part of this statement.

| Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|--------------------------|-------------------------|----------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust and Agency | | | |
| | | | | \$13,049 |
| \$390 | | | | 608,388 |
| 13,027 | | | | 997,627 |
| 10,960 | | | \$921,394 | 8,629 |
| | | | | 171,353 |
| 14,388 | | | 52,913 | 2,072,867 |
| 6,582 | | | | 1,735 |
| | \$1,735 | | | 38,503 |
| | 38,503 | | | 2,481,571 |
| | | | 2,481,571 | 2,481,571 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| 45,347 | 40,238 | | 3,455,878 | \$6,393,722 |
| | | | | |
| | | \$8,023,898 | | 8,023,898 |
| 194 | | | | 194 |
| 69,713 | | | | 69,713 |
| | | | | 515,871 |
| | | | | 109,628 |
| | | | | 8,381 |
| | | | | 8,629 |
| | 2,000 | | | 2,000 |
| | | | | 205,197 |
| | | | | 4,852 |
| | | | | 86,998 |
| | | | | 77,784 |
| | 3,263 | | | 4,286,973 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| 69,907 | 5,263 | 8,023,898 | | 13,400,118 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$115,254 | \$45,501 | \$8,023,898 | \$3,455,878 | \$19,793,840 |

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

| | <u>Governmental Fund Types</u> | |
|---|--------------------------------|----------------------------|
| | <u>General</u> | <u>Special Revenue</u> |
| Revenues: | | |
| Intergovernmental | \$3,994,547 | \$214,853 |
| Interest | 178,543 | 7,415 |
| Tuition and Fees | 10,631 | |
| Rent | 1,597 | |
| Extracurricular Activities | | 90,640 |
| Gifts and Donations | 29,794 | 12,195 |
| Customer Services | 1,780 | 9,550 |
| Income Tax | 698,883 | |
| Property and Other Local Taxes | 2,039,583 | 21,433 |
| Miscellaneous | 10,517 | 18,885 |
| Total Revenues | <u>6,965,875</u> | <u>374,971</u> |
| Expenditures: | | |
| Current: | | |
| Instruction: | | |
| Regular | 3,110,074 | 32,511 |
| Special | 419,385 | 106,714 |
| Vocational | 214,017 | |
| Other | 5,995 | |
| Support Services: | | |
| Pupils | 236,114 | 47,649 |
| Instructional Staff | 87,298 | 7,544 |
| Board of Education | 15,468 | |
| Administration | 826,428 | 44,371 |
| Fiscal | 179,187 | 1,240 |
| Business | 44,721 | |
| Operation and Maintenance of Plant | 451,966 | |
| Pupil Transportation | 460,624 | |
| Central | 97,478 | 12,728 |
| Extracurricular activities | 196,138 | 117,208 |
| Capital Outlay | 371,285 | |
| Debt Service: | | |
| Debt Service - Principal | | |
| Debt Service - Interest | | |
| Total Expenditures | <u>6,716,178</u> | <u>369,965</u> |
| Excess of Revenues Over (Under) Expenditures | <u>249,697</u> | <u>5,006</u> |
| Other Financing Sources (Uses) | | |
| Operating Transfers In | 75,679 | |
| Proceeds from Sale of Bonds | | |
| Proceeds from Sale of Long-Term Notes | | |
| Refund of Prior Year Expenditures | 15,396 | 880 |
| Advances In | 8,629 | |
| Other Financing Sources | 1,226 | 4,800 |
| Operating Transfers Out | | |
| Refund of Prior Year Receipts | (1,007) | |
| Advances Out | (8,629) | |
| Total Other Financing Sources (Uses) | <u>91,294</u> | <u>5,680</u> |
| Excess of Revenues and Other Financing Sources Over Over (Under) Expenditures and Other Financing Uses | 340,991 | 10,686 |
| Fund Balances at Beginning of Year | <u>1,770,783</u> | <u>154,789</u> |
| Fund Balance at End of Year | <u>\$2,111,774</u> | <u>\$165,475</u> |

The notes to the general-purpose financial statements are an integral part of this statement.

| Governmental Fund Types | | Fiduciary Fund Type | Totals (Memorandum Only) |
|-------------------------|--------------------|---------------------|--------------------------|
| Debt Service | Capital Projects | Expendable Trust | |
| | \$528,975 | | \$4,738,375 |
| | 86,008 | | 271,966 |
| | | | 10,631 |
| | | | 1,597 |
| | | | 90,640 |
| | | \$284 | 42,273 |
| | | | 11,330 |
| | | | 698,883 |
| \$17,476 | 137,846 | | 2,216,338 |
| | | 3,988 | 33,390 |
| <u>17,476</u> | <u>752,829</u> | <u>4,272</u> | <u>8,115,423</u> |
| | 17,868 | | 3,160,453 |
| | | | 526,099 |
| | | | 214,017 |
| | | | 5,995 |
| | | | 283,763 |
| | | | 94,842 |
| | | | 15,468 |
| | 3,120 | | 870,799 |
| | | | 183,547 |
| | | | 44,721 |
| | | | 451,966 |
| | | | 460,624 |
| | 2,325 | 3,391 | 115,922 |
| | 239,705 | | 313,346 |
| | | | 610,990 |
| | 2,482,000 | | 2,482,000 |
| | 56,000 | | 56,000 |
| | <u>2,801,018</u> | <u>3,391</u> | <u>9,890,552</u> |
| <u>17,476</u> | <u>(2,048,189)</u> | <u>881</u> | <u>(1,775,129)</u> |
| | 2,485,694 | | 75,679 |
| | 2,482,000 | | 2,485,694 |
| | | | 2,482,000 |
| | | | 16,276 |
| | | | 8,629 |
| | | | 6,026 |
| (75,679) | | | (75,679) |
| | | | (1,007) |
| | | | (8,629) |
| <u>(75,679)</u> | <u>4,967,694</u> | | <u>4,988,989</u> |
| (58,203) | 2,919,505 | 881 | 3,213,860 |
| 75,678 | 86,821 | 2,310 | 2,090,381 |
| <u>\$17,475</u> | <u>\$3,006,326</u> | <u>\$3,191</u> | <u>\$5,304,241</u> |

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

| | General | | | Special Revenue | | |
|--|------------------------|---------------------------|---|-------------------------|-------------------------|---|
| | Budget | Actual | Variance: Favorable (Unfavorable) | Budget | Actual | Variance: Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Intergovernmental | \$4,050,491 | \$3,991,330 | (\$59,161) | \$161,315 | \$136,122 | (\$25,193) |
| Interest | 163,000 | 154,416 | (8,584) | 5,100 | 7,415 | 2,315 |
| Tuition and Fees | 9,400 | 10,569 | 1,169 | | | |
| Rent | 2,000 | 1,597 | (403) | | | |
| Extracurricular Activities | | | | 148,742 | 90,736 | (58,006) |
| Gifts and Donations | 9,500 | 8,631 | (869) | 37,150 | 12,195 | (24,955) |
| Customer Services | 1,160 | 1,780 | 620 | 21,500 | 9,550 | (11,950) |
| Income Tax | 660,000 | 700,517 | 40,517 | | | |
| Property and Other Local Taxes | 1,922,263 | 2,020,320 | 98,057 | 19,800 | 21,433 | 1,633 |
| Miscellaneous | 4,620 | 10,554 | 5,934 | 47,360 | 18,885 | (28,475) |
| Total Revenues | <u>6,822,434</u> | <u>6,899,714</u> | <u>77,280</u> | <u>440,967</u> | <u>296,336</u> | <u>(144,631)</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 3,398,195 | 3,141,979 | 256,216 | 54,455 | 47,138 | 7,317 |
| Special | 450,787 | 418,076 | 32,711 | 74,449 | 62,858 | 11,591 |
| Vocational | 200,810 | 191,483 | 9,327 | | | |
| Adult/Continuing | 305 | | 305 | | | |
| Other | 19,550 | 10,255 | 9,295 | | | |
| Support services: | | | | | | |
| Pupils | 244,303 | 220,482 | 23,821 | 4,095 | 4,063 | 32 |
| Instructional Staff | 122,892 | 118,216 | 4,676 | 2,388 | 2,146 | 242 |
| Board of Education | 19,695 | 15,815 | 3,880 | | | |
| Administration | 967,849 | 858,325 | 109,524 | 83,766 | 46,622 | 37,144 |
| Fiscal | 190,230 | 174,853 | 15,377 | 1,503 | 1,240 | 263 |
| Business | 47,549 | 45,718 | 1,831 | | | |
| Operation and Maintenance of Plant | 657,332 | 488,212 | 169,120 | | | |
| Pupil Transportation | 728,495 | 686,624 | 41,871 | | | |
| Central | 107,146 | 97,364 | 9,782 | 17,277 | 14,304 | 2,973 |
| Extracurricular activities | 226,670 | 190,503 | 36,167 | 225,689 | 135,413 | 90,276 |
| Capital Outlay | 1,421,399 | 549,485 | 871,914 | | | |
| Debt Service | | | | | | |
| Debt Service - Principal | | | | | | |
| Debt Service - Interest | | | | | | |
| Total Expenditures | <u>8,803,207</u> | <u>7,207,390</u> | <u>1,595,817</u> | <u>463,622</u> | <u>313,784</u> | <u>149,838</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(1,980,773)</u> | <u>(307,676)</u> | <u>1,673,097</u> | <u>(22,655)</u> | <u>(17,448)</u> | <u>5,207</u> |
| Other Financing Sources (Uses) | | | | | | |
| Operating Transfers In | 303,050 | 378,728 | 75,678 | 1,568 | | (1,568) |
| Proceeds from Sale of Bonds | | | | | | |
| Proceeds from Sale of Long-Term Notes | | | | | | |
| Proceeds from Sale of Fixed Assets | 2,000 | | (2,000) | | | |
| Refund of Prior Year Expenditures | 8,000 | 6,468 | (1,532) | | 309 | 309 |
| Advances In | 82,652 | 82,652 | | | 8,629 | 8,629 |
| Other Financing Sources | 800 | 1,226 | 426 | 7,500 | 4,800 | (2,700) |
| Operating Transfers Out | (303,050) | (303,050) | | | | |
| Refund of Prior Year Receipts | (1,007) | (1,007) | | | | |
| Advances Out | (8,629) | (8,629) | | (4,580) | (4,580) | |
| Total Other Financing Sources (Uses) | <u>83,816</u> | <u>156,388</u> | <u>72,572</u> | <u>4,488</u> | <u>9,158</u> | <u>4,670</u> |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>(1,896,957)</u> | <u>(151,288)</u> | <u>1,745,669</u> | <u>(18,167)</u> | <u>(8,290)</u> | <u>9,877</u> |
| Fund Balances at Beginning of Year | 1,689,520 | 1,689,520 | | 114,612 | 114,612 | |
| Prior Year Encumbrances Appropriated | 285,221 | 285,221 | | 39,119 | 39,119 | |
| Fund Balances at End of Year | <u>\$77,784</u> | <u>\$1,823,453</u> | <u>\$1,745,669</u> | <u>\$135,564</u> | <u>\$145,441</u> | <u>\$9,877</u> |

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

| | <u>Totals (Memorandum Only)</u> | | |
|--|---------------------------------|--------------------|--|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance: Favorable (Unfavorable)</u> |
| Revenues: | | | |
| Intergovernmental | \$4,563,089 | \$4,656,427 | \$93,338 |
| Interest | 231,190 | 247,839 | 16,649 |
| Tuition and Fees | 9,400 | 10,569 | 1,169 |
| Rent | 2,000 | 1,597 | (403) |
| Extracurricular Activities | 148,742 | 90,736 | (58,006) |
| Gifts and Donations | 47,650 | 21,110 | (26,540) |
| Customer Services | 22,660 | 11,330 | (11,330) |
| Income Tax | 660,000 | 700,517 | 40,517 |
| Property and Other Local Taxes | 2,076,688 | 2,180,129 | 103,441 |
| Miscellaneous | 56,680 | 33,427 | (23,253) |
| Total Revenues | <u>7,818,099</u> | <u>7,953,681</u> | <u>135,582</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 3,470,624 | 3,207,091 | 263,533 |
| Special | 525,236 | 480,934 | 44,302 |
| Vocational | 200,810 | 191,483 | 9,327 |
| Adult/Continuing | 305 | | 305 |
| Other | 19,550 | 10,255 | 9,295 |
| Support services: | | | |
| Pupils | 248,398 | 224,545 | 23,853 |
| Instructional Staff | 125,280 | 120,362 | 4,918 |
| Board of Education | 19,695 | 15,815 | 3,880 |
| Administration | 1,051,615 | 904,947 | 146,668 |
| Fiscal | 196,891 | 179,214 | 17,677 |
| Business | 47,549 | 45,718 | 1,831 |
| Operation and Maintenance of Plant | 663,332 | 488,212 | 175,120 |
| Pupil Transportation | 728,495 | 686,624 | 41,871 |
| Central | 132,863 | 117,383 | 15,480 |
| Extracurricular activities | 452,359 | 325,916 | 126,443 |
| Capital Outlay | 2,001,969 | 886,251 | 1,115,718 |
| Debt Service | | | |
| Debt Service - Principal | 2,482,000 | 2,482,000 | |
| Debt Service - Interest | 56,000 | 56,000 | |
| Total Expenditures | <u>12,422,971</u> | <u>10,422,750</u> | <u>2,000,221</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(4,604,872)</u> | <u>(2,469,069)</u> | <u>2,135,803</u> |
| Other Financing Sources (Uses) | | | |
| Operating Transfers In | 304,618 | 378,728 | 74,110 |
| Proceeds from Sale of Bonds | 2,485,694 | 2,485,694 | |
| Proceeds from Sale of Long-Term Notes | 2,482,000 | 2,482,000 | |
| Proceeds from Sale of Fixed Assets | 2,000 | | (2,000) |
| Refund of Prior Year Expenditures | 8,000 | 6,777 | (1,223) |
| Advances In | 82,652 | 91,281 | 8,629 |
| Other Financing Sources | 8,300 | 6,026 | (2,274) |
| Operating Transfers Out | (378,729) | (378,729) | |
| Refund of Prior Year Receipts | (1,007) | (1,007) | |
| Advances Out | (91,281) | (91,281) | |
| Total Other Financing Sources (Uses) | <u>4,902,247</u> | <u>4,979,489</u> | <u>77,242</u> |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 297,375 | 2,510,420 | 2,213,045 |
| Fund Balances at Beginning of Year | 1,983,223 | 1,983,223 | |
| Prior Year Encumbrances Appropriated | 440,770 | 440,769 | |
| Fund Balances at End of Year | <u>\$2,721,368</u> | <u>\$4,934,412</u> | <u>\$2,213,045</u> |

The notes to the general-purpose financial statements are an integral part of this statement.

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|---|----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Nonexpendable Trust</u> | |
| Operating Revenues: | | | |
| Sales | \$303,386 | | \$303,386 |
| Interest | | \$90 | 90 |
| Other Revenues | 2,382 | | 2,382 |
| Total Operating Revenues | <u>\$305,768</u> | <u>90</u> | <u>\$305,858</u> |
| Operating Expenses | | | |
| Salaries | 100,947 | | 100,947 |
| Fringe Benefits | 41,709 | | 41,709 |
| Purchased Services | 12,075 | | 12,075 |
| Materials and Supplies | 208,238 | | 208,238 |
| Depreciation | 4,814 | | 4,814 |
| Other Expenses | 7,922 | 100 | 8,022 |
| Total Operating Expenses | <u>375,705</u> | <u>100</u> | <u>375,805</u> |
| Operating Loss | <u>(69,937)</u> | <u>(10)</u> | <u>(69,947)</u> |
| Non-Operating Revenues and Expenses | | | |
| Federal Donated Commodities | 36,139 | | 36,139 |
| Interest | 1,489 | | 1,489 |
| Federal and State Subsidies | 51,978 | | 51,978 |
| Other Non-Operating Revenues | 595 | | 595 |
| Total Non-Operating Revenues and Expenses | <u>90,201</u> | | <u>90,201</u> |
| Net Income (Loss) | 20,264 | (10) | 20,254 |
| Retained Earnings/Fund Balance at Beginning of Year | <u>49,449</u> | <u>2,082</u> | <u>51,531</u> |
| Retained Earnings/Fund Balance at End of Year | 69,713 | 2,072 | 71,785 |
| Contributed Capital at End of Year | <u>194</u> | | <u>194</u> |
| Total Fund Equity at End of Year | <u>\$69,907</u> | <u>\$2,072</u> | <u>\$71,979</u> |

The notes to the general-purpose financial statements are an integral part of this statement.

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|--|----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Nonexpendable Trust</u> | |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| Cash Flows from Operating Activities: | | | |
| Cash Received from Sales | \$299,649 | | \$299,649 |
| Other Cash Receipts | 2,094 | | 2,094 |
| Cash Payments to Suppliers for Goods and Service | (182,676) | | (182,676) |
| Cash Payments for Contract Services | (12,075) | | (12,075) |
| Cash Payments for Employee Services | (100,541) | | (100,541) |
| Cash Payments for Employee Benefits | (41,755) | | (41,755) |
| Other Cash Payments | (7,922) | (\$100) | (8,022) |
| | <u>(43,226)</u> | <u>(100)</u> | <u>(43,326)</u> |
| Net Cash Provided (Used) by Operating Activities | | | |
| Cash Flows from Noncapital Financing Activities: | | | |
| Operating Grants Received | 59,600 | | 59,600 |
| Other | 595 | | 595 |
| | <u>60,195</u> | | <u>60,195</u> |
| Net Cash Provided by Noncapital Financing Activities | | | |
| Cash Flows from Investing Activities: | | | |
| Interest Received | 1,489 | 90 | 1,579 |
| | <u>1,489</u> | <u>90</u> | <u>1,579</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Payments for Capital Acquisitions | (15,221) | | (15,221) |
| | <u>(15,221)</u> | | <u>(15,221)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 3,237 | (10) | 3,227 |
| Cash and Cash Equivalents at Beginning of Year | 54,567 | 2,082 | 56,649 |
| | <u>54,567</u> | <u>2,082</u> | <u>56,649</u> |
| Cash and Cash Equivalents at End of Year | <u>\$57,804</u> | <u>\$2,072</u> | <u>\$59,876</u> |

(Continued)

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

| | Proprietary Fund Type | Fiduciary Fund Type | Totals |
|---|----------------------------------|--------------------------------|------------------------------|
| | Enterprise | Nonexpendable Trust | (Memorandum Only) |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | |
| Operating Loss | (\$69,937) | (\$10) | (\$69,947) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation | 4,814 | | 4,814 |
| Donated Commodities Used During the Year | 36,139 | | 36,139 |
| Adjustments to Capital Outlay | 528 | | 528 |
| Nonexpendable Trust Interest | | (90) | (90) |
| (Increase) Decrease in Assets: | | | |
| Accounts Receivable | (4,025) | | (4,025) |
| Material and Supplies Inventory | (8,525) | | (8,525) |
| Increase (Decrease) in Liabilities: | | | |
| Compensated Absences Payable | (3,253) | | (3,253) |
| Intergovernmental Payable | 931 | | 931 |
| Deferred Revenue | (1,045) | | (1,045) |
| Accrued Wages and Benefits | 2,682 | | 2,682 |
| Accounts Payable | (1,535) | | (1,535) |
| Total Adjustments | (43,226) | (\$100) | (\$43,326) |
| Reconciliation of Nonexpendable Trust | | | |
| Fund Cash Balance as of June 30, 2000: | | | |
| Cash and Cash Equivalents - Trust and Agency Funds | | | \$45,501 |
| Less: Expendable Trust Funds | | | (3,191) |
| Less: Agency Funds | | | (40,238) |
| Cash and Cash Equivalents - Nonexpendable Trust Funds | | | \$2,072 |

The notes to the general-purpose financial statements are an integral part of this statement.

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**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Central Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four-instructional/support facilities staffed by 57 non-certified and 84 certificated full time teaching personnel who provide services to 1,183 students and other community members.

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 School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Central Local School District, this includes general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District has no component units.

The School District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14,15, and 16 to the general-purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

2. Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those, found in the private sector. The following are the School District's proprietary fund types:

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

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer assessed income tax, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the nonexpendable trust fund. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

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 legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

The Eisenhower, Drug Free Schools, Preschool Disabilities and Title VI-B special revenue funds are pass through grants in which the Northwest Ohio Educational Service Center is the primary recipient. Budgetary information for these funds are not included within the School District's reporting entity for which the "appropriated budget" is adopted, and the School District does not maintain separate budgetary records.

1. 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

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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 County Budget Commission for rate determination.

2. Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School 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. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

3. 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, function, and object level of expenditures, which are the legal levels 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 School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, 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. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures, which appear in the statements 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.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. Lapsing of Appropriations

At the close of each 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.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District Treasurer is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 2000, investments were limited to STAR Ohio and certificates of deposit. Nonnegotiable certificates of deposit are reported at cost. Investment earnings are allocated as authorized by State statute.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR OHIO) during fiscal year 2000. STAR OHIO is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR OHIO is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR OHIO are valued at STAR OHIO's share price, which is the price the investment could be sold for on June 30, 2000.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund and cafeteria fund during fiscal year 2000 amounted to \$178,543 and \$1,489 respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

F. Estimates

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

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of \$300 except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. The School District does not possess any infrastructure.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The School District currently participates in several State and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Non-Reimbursable Grants

Special Revenue Funds

- Title VI-B - Flow Through
- Eisenhower Grant
- Vocational Adult Farm Management
- Title I
- Title VI
- Drug Free Grant
- Preschool Disability Grant
- Educational Management Information System
- Teacher Professional Development Grant
- Textbook/Instructional Material Subsidy
- Continuous Improvement Grant
- Ohio Reads Grant

Capital Projects Funds

- School Net Plus
- School Net Technology Grant
- Technology Equity
- Emergency Building Repairs

Reimbursable Grants

General Fund

- Driver Education
- Carl E. Perkins Grant

Capital Projects Fund

- Vocational Education Equipment

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

J. Compensated Absences

The School District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the School District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the School District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the School District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 2000.

For governmental funds, the School District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment.

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. Bonds and capital leases are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, prepaid items, advances, property taxes, budget stabilization, textbook purchases, capital acquisition, and endowments.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

N. Total Columns on General-Purpose Financial Statements

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental and Similar Fiduciary Fund Types | | | | | |
|---|-------------|--------------------|-----------------|---------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust |
| Budget Basis | (\$151,288) | (\$8,290) | (\$75,679) | \$2,744,796 | \$881 |
| Revenue Accruals | 296,202 | 78,635 | 17,476 | (529) | |
| Expenditure Accruals | 147,759 | (91,535) | | 57,006 | |
| Other Accruals | (401,361) | (3,478) | | 78,072 | |
| Encumbrances | 449,679 | 35,354 | | 40,160 | |
| GAAP Basis | \$340,991 | \$10,686 | (\$58,203) | \$2,919,505 | \$881 |

**CENTRAL LOCAL SCHOOL DISTRICT
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NOTE 4 - CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

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7. Certain bankers' acceptances 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.

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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

During fiscal year 2000, the School District's investments were limited to STAR Ohio. During the fiscal year, all investments of the School District had a maturity of two years or less.

Cash on Hand At fiscal year end, the School District had \$256 in undeposited cash on hand, which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$1,801,317 and the bank balance was \$2,031,307. \$400,000 of the bank balance was covered by federal depository insurance. \$1,631,307 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the FDIC.

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

| | Carrying Value | Fair Value |
|-----------|-------------------|---------------|
| STAR Ohio | \$3,760,031 | \$3,760,031 |

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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| | Cash and Cash Equivalents/ Deposits | Investments |
|------------------|---|-------------|
| GASB Statement 9 | \$5,561,604 | |
| Cash on Hand | (256) | |
| Investments: | | |
| STAR Ohio | (3,760,031) | \$3,760,031 |
| Total | \$1,801,317 | \$3,760,031 |

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2000 taxes are based as follows:

| | Amount |
|---------------------------|--------------|
| Residential/Agricultural | \$68,137,890 |
| Commercial/Industrial | 2,016,410 |
| Public Utility | 12,488,520 |
| General Personal Property | 2,109,693 |
| Total valuation | \$84,752,513 |

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Defiance and Williams Counties. The County Auditors periodically advance to the School District their portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2000 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as

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an advance at June 30, 2000 was \$205,197 and is recognized as revenue. \$183,884 was available to the general fund, \$17,475 was available to the debt service fund, and \$3,838 was available to the capital projects fund.

NOTE 6 - INCOME TAX

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, accounts and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal receivables follows:

| | Amounts |
|------------------------|-------------|
| General Fund: | |
| Taxes | \$2,024,230 |
| Accounts | 38,093 |
| Intergovernmental | 5,964 |
| Accrued Interest | 23,666 |
| Income Tax | 228,406 |
| Special Revenue Funds: | |
| Taxes | 36,356 |
| Accounts | 761 |
| Debt Service Fund: | |
| Taxes | 168,888 |
| Capital Project Funds: | |
| Taxes | 42,008 |
| Enterprise Funds: | |
| Accounts | 4,079 |
| Total | \$2,572,451 |

NOTE 8 - FIXED ASSETS

A summary of the changes in General Fixed Assets Account Group is as follows:

| | Balance 6/30/99 | Additions | Deductions | Balance 6/30/00 |
|------------------------------------|--------------------|-----------|------------|--------------------|
| Land and Land Improvements | \$673,288 | \$244,534 | | \$917,822 |
| Buildings | 3,585,080 | 132,932 | \$12,377 | 3,705,635 |
| Furniture, fixtures, and equipment | 2,469,162 | 196,815 | 17,598 | 2,648,379 |
| Textbooks and library books | 698,430 | 53,632 | | 752,062 |
| Total | \$7,425,960 | \$627,913 | \$29,975 | \$8,023,898 |

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A summary of changes in the Enterprise Fund fixed assets is as follows:

| | Balance 6/30/99 | Additions | Deductions | Balance 6/30/00 |
|------------------------------------|--------------------|-----------|------------|--------------------|
| Furniture, fixtures, and equipment | \$102,125 | \$14,693 | \$9,403 | \$107,415 |
| Accumulated depreciation | (78,944) | (4,814) | (9,403) | (74,355) |
| Total | \$23,181 | \$9,879 | | \$33,060 |

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School 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, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2000, 9.79 percent 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 School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$139,980, \$126,640, and \$119,653, respectively; 59 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$57,906 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30,

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2000, 1999, and 1998 were \$522,837, \$481,423, and \$698,626, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$86,312 represents the unpaid contribution for fiscal year 2000, and is recorded as a liability within the respective funds.

C. 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, 2000, four of the five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion on June 30, 1999. The Health Care Reserve Fund allocation for the year ended June 30, 2000 will be 8 percent of covered payroll.

For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. 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 the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 6.30 percent. 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 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

The portion of employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .450, then adding the surcharge due as of June 30, 2000, as certified to the school district by SERS.

NOTE 11 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees are entitled to vacation ranging from 10 to 20 days. Employees are permitted to carry over vacation leave earned for two succeeding years.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rated basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-third of the accumulated sick leave to a maximum of 55 days, except that those employees who elect to retire at the earliest permissible retirement date shall be paid one-third of the accumulated sick leave to a maximum of 100 days.

At June 30, 2000 the current amount of unpaid compensated absences and the balance of the liability in the General Long-Term Obligations Account Group was \$921,394.

NOTE 12 - LONG-TERM OBLIGATIONS

During the year ended June 30, 2000, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

| | Balance at June 30, 1999 | Additions | Reductions | Balance at June 30, 2000 |
|------------------------------|-----------------------------|--------------------|--------------|-----------------------------|
| General Obligation Bonds | | \$2,481,571 | | \$2,481,571 |
| Employee Benefit Obligations | \$891,984 | 29,410 | | 921,394 |
| SERS and SERS Surcharge | 53,307 | | \$394 | 52,913 |
| Total | <u>\$945,291</u> | <u>\$2,510,981</u> | <u>\$394</u> | <u>\$3,455,878</u> |

The scheduled payments of principal and interest on the general obligation bonds as of June 30, 2000 are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|----------------------------|-----------|-----------|-----------|
| 2001 | \$(5,890) | \$154,925 | \$149,035 |
| 2002 | 49,110 | 131,117 | 180,227 |
| 2003 | 54,110 | 128,077 | 182,187 |

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| | | | |
|------------|--------------------|--------------------|--------------------|
| 2004 | 59,110 | 124,705 | 183,815 |
| 2005 | 64,110 | 121,022 | 185,132 |
| Thereafter | 2,261,021 | 1,289,753 | 3,550,774 |
| Total | <u>\$2,481,571</u> | <u>\$1,949,599</u> | <u>\$4,431,170</u> |

The School District passed a levy issue on the November 1999 ballot for the issuance of bond to cover its share of construction on the new elementary building. The Capital Appreciation bonds were issued in February 2000 for a twenty-two year period with final maturity on December 1, 2022.

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three Enterprise Funds, which provide lunchroom/cafeteria, uniform school supply, and vocational education services. Segment information for the year ended June 30, 2000 was as follows:

| | <u>Food Service</u> | <u>Uniform School Supply</u> | <u>Vocational Education</u> | <u>Total Enterprise Funds</u> |
|-------------------------|---------------------|--------------------------------------|---------------------------------|---------------------------------------|
| Operating Revenues | \$255,092 | \$50,676 | | \$305,768 |
| Depreciation | 4,814 | | | 4,814 |
| Operating Income (Loss) | (90,935) | 20,998 | | (69,937) |
| Commodities | 36,139 | | | 36,139 |
| Interest | 1,489 | | | 1,489 |
| Operating Grants | 51,978 | | | 51,978 |
| Other Revenues | 595 | | | 595 |
| Net Income (Loss) | (734) | 20,998 | | 20,264 |
| Working Capital | 5,696 | 30,821 | \$330 | 36,847 |
| Total Assets | 84,103 | 30,821 | 330 | 115,254 |
| Total Liabilities | 45,347 | | | 45,347 |
| Total Equity | 38,756 | 30,821 | 330 | 69,907 |

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the School District to NWOCA during this fiscal year were \$20,377. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (the Council) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, and Williams Counties. NBEC is organized

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under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Michele Zeedyk, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

NOTE 15 - RISK MANAGEMENT

A. Comprehensive

The School District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% co-insured.

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

B. Employee Insurance Benefits Program

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

C. Worker's Compensation Group Program

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

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

NOTE 16 - GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the School District to NBEC for employee insurance benefits during this fiscal year were \$573,223. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the School District paid an enrollment fee of \$872 to the WCGRP to cover the costs of administering the program.

NOTE 17 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$3,646,899 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "major areas warrant further attention, study, and development by the General Assembly," including the State's reliance on local property tax funding, the state's basic aid formula, the school

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foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

NOTE 18 - INTERFUND TRANSACTIONS

Transfers and advances between funds during the year ended June 30, 2000 were as follows:

| | Transfers In | Transfers Out |
|-----------------|-----------------|------------------|
| General | \$75,769 | |
| Debt Service | | \$75,769 |
| Total All Funds | \$75,769 | \$75,769 |

Interfund balances at June 30, 2000 consist of the following individual fund receivables and payables:

| | Interfund Receivable | Interfund Payable |
|-----------------|-------------------------|----------------------|
| General | \$ 8,629 | |
| Special Revenue | | \$8,629 |
| Total All Funds | \$8,629 | \$8,629 |

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2000, the School District had the following contractual purchase commitments:

| Company | Amount Remaining |
|--------------------------|---------------------|
| Maneval Services, Inc. | \$70,665 |
| Transportation Equipment | 28,308 |
| Resources | 84,989 |
| Beilharz | 40,160 |
| Cardinal Bus Services | 19,362 |
| Defiance Truck and Sales | 34,111 |
| Total | \$277,595 |

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

| | Textbooks | Capital Acquisition | Budget Stabilization | Totals |
|---|-----------|------------------------|-------------------------|-----------|
| Set-aside Cash Balance as of June 30, 1999 | \$7,042 | \$6,212 | \$25,800 | |
| Current Year Set-aside Requirement | 138,063 | 113,002 | 51,984 | |
| Current Year Offsets | | | | |
| Qualifying Disbursements | (140,253) | (32,216) | | |
| Total | \$4,852 | \$86,998 | \$77,784 | |
| Cash Balance Carried Forward to FY 2001 | \$4,852 | \$86,998 | \$77,784 | |
| Amount Restricted for Textbooks | | | | \$4,852 |
| Amount Restricted for Capital Acquisition | | | | 86,998 |
| Amount Restricted for Budget Stabilization | | | | 77,784 |
| Total Restricted Assets | | | | \$169,634 |

NOTE 21 - SUBSEQUENT EVENTS

In December 2000, the Board approved placing a renewal emergency levy on the May 2001 ballot. If passed, the School District will receive approximately \$615,000 a year for the next three years beginning in fiscal year 2002.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Central Local School District
Defiance County
06289 US Route 127
Sherwood, Ohio 43556-9735

To the Board of Education:

We have audited the financial statements of Central Local School District, Defiance County, (the School District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 18, 2000.

Central Local School District
Defiance County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information of management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 18, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

CENTRAL LOCAL SCHOOL DISTRICT

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 16, 2001**