



**Auditor of State
Betty Montgomery**

**CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Central Local School District
Defiance County
06289 U.S. Highway 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 20, 2003, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Central Local School District, Defiance County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type and non-expendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2003, 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 17, 2003

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,323,418	\$289,412	\$79,872	\$210,807
Cash and Cash Equivalents:				
With Fiscal Agents				4,727
Receivables:				
Taxes	2,164,957	39,330	187,900	19,440
Accounts	2,385	1,620		
Intergovernmental	1,775	5,242		
Accrued Interest	920			
Interfund Receivable	2,440			
Income Tax	264,232			
Materials and Supplies Inventory	43,735			
Prepaid Items	26,568			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	11,853			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund for				
Retirement of Long-Term Obligations				
Amount to be Provided From General				
Government Resources				
Total Assets and Other Debits	\$4,842,283	\$335,604	\$267,772	\$234,974

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$85,950	\$47,772			\$3,037,231
				4,727
				2,411,627
688	165			4,858
				7,017
				920
				2,440
				264,232
13,456				57,191
				26,568
				11,853
259,617 (75,973)		\$17,114,371		17,373,988 (75,973)
			\$79,872	79,872
			3,390,120	3,390,120
\$283,738	\$47,937	\$17,114,371	\$3,469,992	\$26,596,671

(Continued)

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS JUNE 30, 2003
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$33,275	\$631		
Contracts Payable	5,000			\$9,293
Accrued Wages and Benefits	616,286	9,416		
Compensated Absences Payable	23,645			
Retainage Payable				4,727
Interfund Payable		2,440		
Intergovernmental Payable	115,529	1,669		
Deferred Revenue	1,973,545	41,572	\$172,100	15,820
Undistributed Monies				
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	2,767,280	55,728	172,100	29,840
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	241,900	10,056		1,200
Reserved for Inventory	43,735			
Reserved for Prepaid Items	26,568			
Reserved for Debt Service			79,872	
Reserved for Endowments				
Reserved for Property Taxes	191,412	3,000	15,800	3,620
Reserved for Textbooks and Instructional Materials	11,853			
Unreserved, Undesignated	1,559,535	266,820		200,314
Total Fund Equity and Other Credits	2,075,003	279,876	95,672	205,134
Total Liabilities, Fund Equity and Other Credits	\$4,842,283	\$335,604	\$267,772	\$234,974

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			
				\$34,257
\$351				14,293
20,271				645,973
18,220			\$1,022,618	1,064,483
				4,727
				2,440
15,975			63,133	196,306
				2,203,037
	\$308			308
	42,507			42,507
			2,384,241	2,384,241
<u>54,817</u>	<u>42,815</u>		<u>3,469,992</u>	<u>6,592,572</u>
		\$17,114,371		17,114,371
194				194
228,727				228,727
				253,156
				43,735
				26,568
				79,872
	2,000			2,000
				213,832
				11,853
	3,122			2,029,791
<u>228,921</u>	<u>5,122</u>	<u>17,114,371</u>		<u>20,004,099</u>
<u>\$283,738</u>	<u>\$47,937</u>	<u>\$17,114,371</u>	<u>\$3,469,992</u>	<u>\$26,596,671</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, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$4,913,380	\$295,765
Interest	40,117	3,580
Tuition and Fees	3,811	
Rent	5,490	
Extracurricular Activities		110,310
Gifts and Donations	5,290	39,617
Customer Services	1,121	6,487
Income Tax	660,657	
Property and Other Local Taxes	2,186,996	41,684
Miscellaneous	11,893	18,494
Total Revenues	<u>7,828,755</u>	<u>515,937</u>
Expenditures:		
Current:		
Instruction:		
Regular	3,681,313	49,258
Special	658,923	149,960
Vocational	182,740	
Other	165,600	
Support Services:		
Pupils	248,137	71,395
Instructional Staff	116,379	8,544
Board of Education	32,633	
Administration	1,013,555	76,056
Fiscal	200,062	909
Business	60,432	
Operation and Maintenance of Plant	622,376	
Pupil Transportation	585,010	
Central	95,000	5,680
Extracurricular activities	244,724	142,840
Capital Outlay	103,547	
Debt Service:		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	<u>8,010,431</u>	<u>504,642</u>
Excess of Revenues Over (Under) Expenditures	<u>(181,676)</u>	<u>11,295</u>
Other Financing Sources (Uses)		
Proceeds from Sale of Fixed Assets	39,407	
Refund of Prior Year Expenditures	39,967	
Other Financing Sources	9,185	4,223
Refund of Prior Year Receipts	(6)	
Total Other Financing Sources (Uses)	<u>88,553</u>	<u>4,223</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(93,123)</u>	<u>15,518</u>
Fund Balance at Beginning of Year	<u>2,168,126</u>	<u>264,358</u>
Fund Balance at End of Year	<u><u>\$2,075,003</u></u>	<u><u>\$279,876</u></u>

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

<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	
\$21,746	\$4,696	\$5,235,587
	11,562	55,259
		3,811
		5,490
		110,310
		44,907
		7,608
		660,657
193,385	42,231	2,464,296
		30,387
<u>215,131</u>	<u>58,489</u>	<u>8,618,312</u>
	37,802	3,768,373
		808,883
		182,740
		165,600
		319,532
		124,923
		32,633
	180	1,089,791
4,412	1,029	206,412
	3,530	63,962
	16,636	639,012
		585,010
	11,799	112,479
		387,564
	1,314,227	1,417,774
70,000		70,000
128,078		128,078
<u>202,490</u>	<u>1,385,203</u>	<u>10,102,766</u>
<u>12,641</u>	<u>(1,326,714)</u>	<u>(1,484,454)</u>
		39,407
		39,967
		13,408
		(6)
		<u>92,776</u>
12,641	(1,326,714)	(1,391,678)
83,031	1,531,848	4,047,363
<u>\$95,672</u>	<u>\$205,134</u>	<u>\$2,655,685</u>

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$4,881,008	\$4,911,605	\$30,597
Interest	42,000	41,354	(646)
Tuition and Fees	3,800	1,913	(1,887)
Rent	1,200	5,490	4,290
Extracurricular Activities			
Gifts and Donations	7,800	5,290	(2,510)
Customer Services	1,650	1,121	(529)
Income Tax	645,000	662,913	17,913
Property and Other Local Taxes	2,095,000	2,120,762	25,762
Miscellaneous	9,000	11,406	2,406
Total Revenues	<u>7,686,458</u>	<u>7,761,854</u>	<u>75,396</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,182,405	3,625,252	557,153
Special	750,789	657,973	92,816
Vocational	212,860	187,480	25,380
Other	176,524	167,416	9,108
Support services:			
Pupils	279,702	251,576	28,126
Instructional Staff	150,706	128,775	21,931
Board of Education	45,892	37,692	8,200
Administration	1,232,745	1,055,625	177,120
Fiscal	229,124	201,586	27,538
Business	78,311	66,921	11,390
Operation and Maintenance of Plant	914,789	715,844	198,945
Pupil Transportation	948,320	654,427	293,893
Central	146,770	95,992	50,778
Extracurricular activities	293,747	242,526	51,221
Capital Outlay	513,216	129,467	383,749
Debt Service:			
Principal			
Interest			
Total Expenditures	<u>10,155,900</u>	<u>8,218,552</u>	<u>1,937,348</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,469,442)</u>	<u>(456,698)</u>	<u>2,012,744</u>
Other Financing Sources (Uses)			
Operating Transfers In			
Proceeds from Sale of Fixed Assets	50,000	39,407	(10,593)
Refund of Prior Year Expenditures	15,000	39,967	24,967
Advances In	606	606	
Other Financing Sources	9,200	9,185	(15)
Refund of Prior Year Receipts	(2,500)	(6)	2,494
Other Financing Uses	(34,471)		34,471
Advances Out	(2,440)	(2,440)	
Total Other Financing Sources (Uses)	<u>35,395</u>	<u>86,719</u>	<u>51,324</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(2,434,047)</u>	<u>(369,979)</u>	<u>2,064,068</u>
Fund Balances at Beginning of Year	2,052,524	2,052,524	
Prior Year Encumbrances Appropriated	377,552	377,552	
Fund Balances at End of Year	<u><u>(\$3,971)</u></u>	<u><u>\$2,060,097</u></u>	<u><u>\$2,064,068</u></u>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$168,345	\$295,765	\$127,420	\$21,000	\$21,746	\$746
7,800	3,580	(4,220)			
147,015	108,801	(38,214)			
55,700	39,617	(16,083)			
10,700	6,487	(4,213)			
32,000	38,684	6,684	184,000	187,885	3,885
17,900	18,494	594			
439,460	511,428	71,968	205,000	209,631	4,631
53,622	53,316	306			
86,231	148,688	(62,457)			
7,940	71,727	(63,787)			
6,550	8,544	(1,994)			
114,386	81,714	32,672	5,000	4,412	588
1,500	909	591			
8,258	7,564	694			
217,905	145,679	72,226			
			70,000	70,000	
			128,100	128,078	22
496,392	518,141	(21,749)	203,100	202,490	610
(56,932)	(6,713)	50,219	1,900	7,141	5,241
1,000		(1,000)			
1,000		(1,000)			
7,000	2,440	2,440			
	4,223	(2,777)			
(606)	(606)				
8,394	6,057	(2,337)			
(48,538)	(656)	47,882	1,900	7,141	5,241
263,143	263,143		72,731	72,731	
16,238	16,238				
\$230,843	\$278,725	\$47,882	\$74,631	\$79,872	\$5,241

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$4,800	\$4,696	(\$104)
Interest	19,500	11,562	(7,938)
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Income Tax			
Property and Other Local Taxes	45,000	43,339	(1,661)
Miscellaneous			
Total Revenues	69,300	59,597	(9,703)
Expenditures:			
Current:			
Instruction:			
Regular	39,094	39,002	92
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration	180	180	
Fiscal	2,530	1,029	1,501
Business	3,570	3,530	40
Operation and Maintenance of Plant	16,636	16,636	
Pupil Transportation			
Central	11,799	11,799	
Extracurricular activities			
Capital Outlay	1,955,784	1,756,363	199,421
Debt Service:			
Principal			
Interest			
Total Expenditures	2,029,593	1,828,539	201,054
Excess of Revenues Over (Under) Expenditures	(1,960,293)	(1,768,942)	191,351
Other Financing Sources (Uses)			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Refund of Prior Year Receipts			
Other Financing Uses			
Advances Out			
Total Other Financing Sources (Uses)			
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,960,293)	(1,768,942)	191,351
Fund Balances at Beginning of Year	532,399	532,399	
Prior Year Encumbrances Appropriated	1,436,857	1,436,857	
Fund Balances at End of Year	\$8,963	\$200,314	\$191,351

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

Totals (Memorandum Only)

<u>Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
\$5,075,153	\$5,233,812	\$158,659
69,300	56,496	(12,804)
3,800	1,913	(1,887)
1,200	5,490	4,290
147,015	108,801	(38,214)
63,500	44,907	(18,593)
12,350	7,608	(4,742)
645,000	662,913	17,913
2,356,000	2,390,670	34,670
26,900	29,900	3,000
<u>8,400,218</u>	<u>8,542,510</u>	<u>142,292</u>
4,275,121	3,717,570	557,551
837,020	806,661	30,359
212,860	187,480	25,380
176,524	167,416	9,108
287,642	323,303	(35,661)
157,256	137,319	19,937
45,892	37,692	8,200
1,347,311	1,137,519	209,792
238,154	207,936	30,218
81,881	70,451	11,430
931,425	732,480	198,945
948,320	654,427	293,893
166,827	115,355	51,472
511,652	388,205	123,447
2,469,000	1,885,830	583,170
70,000	70,000	
<u>128,100</u>	<u>128,078</u>	<u>22</u>
<u>12,884,985</u>	<u>10,767,722</u>	<u>2,117,263</u>
<u>(4,484,767)</u>	<u>(2,225,212)</u>	<u>2,259,555</u>
1,000		(1,000)
50,000	39,407	(10,593)
16,000	39,967	23,967
606	3,046	2,440
16,200	13,408	(2,792)
(2,500)	(6)	2,494
(34,471)		34,471
<u>(3,046)</u>	<u>(3,046)</u>	
<u>43,789</u>	<u>92,776</u>	<u>48,987</u>
(4,440,978)	(2,132,436)	2,308,542
2,920,797	2,920,797	
1,830,647	1,830,647	
<u>\$310,466</u>	<u>\$2,619,008</u>	<u>\$2,308,542</u>

**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, 2003

	<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	\$335,703		\$335,703
Interest		\$100	100
Other Revenues	956		956
Contributions and Donations		\$3,000	3,000
Total Operating Revenues	<u>336,659</u>	<u>3,100</u>	<u>339,759</u>
Operating Expenses			
Salaries	131,249		131,249
Fringe Benefits	60,768		60,768
Purchased Services	10,942		10,942
Materials and Supplies	249,270		249,270
Depreciation	23,536		23,536
Other Operating Expenses	13,330	100	13,430
Total Operating Expenses	<u>489,095</u>	<u>100</u>	<u>489,195</u>
Operating Income (Loss)	<u>(152,436)</u>	<u>3,000</u>	<u>(149,436)</u>
Non-Operating Revenues and Expenses			
Federal Donated Commodities	50,018		50,018
Interest	736		736
Federal and State Subsidies	73,794		73,794
Proceeds from Sale of Fixed Asset	4,603		4,603
Loss on Disposal of Fixed Assets	(1,035)		(1,035)
Amount Contributed From Other Funds	171,738		171,738
Other Non-Operating Revenues	2,738		2,738
Total Non-Operating Revenues and Expenses	<u>302,592</u>		<u>302,592</u>
Net Income	150,156	3,000	153,156
Retained Earnings/Fund Balances at Beginning of Year	<u>78,571</u>	<u>2,122</u>	<u>80,693</u>
Retained Earnings/Fund Balances at End of Year	<u>228,727</u>	<u>5,122</u>	<u>233,849</u>
Contributed Capital at Beginning of Year	194		194
Contributed Capital at End of Year	<u>194</u>		<u>194</u>
Total Fund Equity at End of Year	<u>\$228,921</u>	<u>\$5,122</u>	<u>\$234,043</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, 2003

	<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	\$335,094		\$335,094
Other Cash Receipts	956	\$3,000	3,956
Cash Payments to Suppliers for Goods and Services	(200,264)		(200,264)
Cash Payments for Contract Services	(10,942)		(10,942)
Cash Payments for Employee Services	(124,886)		(124,886)
Cash Payments for Employee Benefits	(56,866)		(56,866)
Other Cash Payments	(13,330)	(100)	(13,430)
Net Cash Provided (Used) by Operating Activities	<u>(70,238)</u>	<u>2,900</u>	<u>(67,338)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	73,794		73,794
Other	2,738		2,738
Net Cash Provided by Noncapital Financing Activities	<u>76,532</u>		<u>76,532</u>
Cash Flows from Investing Activities:			
Interest Received	736	100	836
Net Cash Provided by Investing Activities	<u>736</u>	<u>100</u>	<u>836</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Sale of Fixed Assets	4,603		4,603
Payments for Capital Acquisitions	(4,327)		(4,327)
Net Cash Used by Capital and Related Financing Activities	<u>276</u>	<u>-</u>	<u>276</u>
Net Increase in Cash and Cash Equivalents	7,306	3,000	10,306
Cash and Cash Equivalents at Beginning of Year	<u>78,644</u>	<u>2,122</u>	<u>80,766</u>
Cash and Cash Equivalents at End of Year	<u>\$85,950</u>	<u>\$5,122</u>	<u>\$91,072</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, 2003
(Continued)

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(\$152,436)	\$3,000	(\$149,436)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	23,536		23,536
Donated Commodities Used During the Year	50,018		50,018
Adjustments to Capital Outlay	4,327		4,327
Nonexpendable Trust Interest		(100)	(100)
(Increase) Decrease in Assets:			
Accounts Receivable	(609)		(609)
Material and Supplies Inventory	2,076		2,076
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	3,132		3,132
Intergovernmental Payable	3,210		3,210
Deferred Revenue	(6,480)		(6,480)
Accrued Wages and Benefits	3,922		3,922
Accounts Payable	(934)		(934)
Total Adjustments	82,198	(100)	82,098
Net Cash Provided (Used) by Operating Activities	(\$70,238)	\$2,900	(\$67,338)

Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2003:

Cash and Cash Equivalents - Trust and Agency Funds	\$47,772
Less: Agency Funds	(42,650)
Cash and Cash Equivalents - Nonexpendable Trust Funds	\$5,122

Noncash Investing Capital and Financing Activities:

Contributions of Capital Assets from Governmental Sources	\$171,738
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The Food Service fund consumed donated commodities with a value of \$50,018. Use of these commodities are reflected as an operating expense.

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

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003

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 two-instructional/support facilities staffed by 58 noncertified and 85 certificated full time teaching personnel who provide services to 1,172 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 and 16 to the general-purpose financial statements.

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.

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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.

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 is the School District's proprietary fund type:

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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.

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 nonexpendable trust and agency 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.

The Enterprise funds 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. The Enterprise fund and nonexpendable trust funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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 fund types and agency funds. The full accrual basis of accounting is followed by the enterprise funds and nonexpendable trust fund.

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

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported 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.

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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.

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 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 2003.

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

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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.

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 central bank accounts. Monies for all funds, including proprietary funds, are maintained in the pooled accounts or temporarily used to purchase short-term investments, except for Cash with Fiscal Agent. 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 2003, investments were limited to STAR Ohio, a money market mutual fund, and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as 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 2003. 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, 2003.

**CENTRAL LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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, Special Revenue fund type, Capital Projects fund type, Cafeteria fund, and Non Expendable Trust fund during fiscal year 2003 amounted to \$40,117, \$3,580, \$11,562, \$736 and \$100, 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 by statute to be set-aside by the School District for the purchase of textbooks and instructional materials. See Note 19 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.

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. The School District does not possess any infrastructure.

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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.

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

Non-Reimbursable Grants

Special Revenue Funds

Local Professional Development
Educational Management Information System
Onenet - Connectivity
Teacher Professional Development
Ohio Reads
Summer School Subsidy
Extended Learning Opportunity
Safe School Hotline
Title II Eisenhower
Title VI-B - Flow Through
Title I
Title VI
Title IV Drug Free
Title II-A
Title VIR
Title II-D

**CENTRAL LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

Capital Projects Funds

School Net Plus
IVDL Subsidy
Ohio State Classroom Facilities

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, 2003.

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. 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.

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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, debt service, property taxes, textbooks and instructional materials, 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 endowments signifies the legal restrictions on the use of principal.

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.

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 Fund Types 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).

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.
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 Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$ (369,979)	\$ (656)	\$ 7,141	\$ (1,768,942)
Revenue Accruals	66,901	4,509	5,500	(1,108)
Expenditure Accruals	(67,054)	2,813	-	432,843
Other Accruals	1,834	(1,834)	-	-
Encumbrances	275,175	10,686	-	10,493
GAAP Basis	\$ (93,123)	\$ 15,518	\$ 12,641	\$ (1,326,714)

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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the 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

**CENTRAL LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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
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 2003, the School District's investments were limited to STAR Ohio and a Money Market Mutual Fund. During the fiscal year, all investments of the School District had a maturity of two years or less.

At fiscal year end, the School District had \$216 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".

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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 \$466,805 and the bank balance was \$796,623. \$246,334 of the bank balance was covered by federal depository insurance. \$550,289 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. The School District has a money market mutual fund for the Ohio State Classroom Facilities escrow account which is a Category 2 investment.

	Carrying Value	Fair Value
STAR Ohio	\$ 2,582,063	\$ 2,582,063
Money Market Mutual Fund	4,727	4,727
	\$ 2,586,790	\$ 2,586,790

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:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 3,053,811	\$ -
Cash on Hand	(216)	-
Investments:		
Money Market Mutual	(4,727)	4,727
STAR Ohio	(2,582,063)	2,582,063
Total	\$ 466,805	\$ 2,586,790

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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 2003 taxes are based as follows:

	<u>Amount</u>
Residential/Agricultural	\$ 73,492,940
Commercial/Industrial	2,258,300
Public Utility	10,760,080
General Personal Property	<u>2,174,560</u>
Total valuation	<u><u>\$ 88,685,880</u></u>

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 its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003 are available to finance fiscal year 2004 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, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003 was \$213,832 and is recognized as revenue. \$191,412 was available to the general fund, \$3,000 was available in the special revenue fund, \$3,620 was available to the capital projects fund and \$15,800 was available in the debt service fund.

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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.

7. RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts intergovernmental revenue, interfund, and accrued interest. 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	\$ 2,164,957
Accounts	2,385
Intergovernmental	1,775
Accrued Interest	920
Interfund	2,440
Income Tax	264,232
Special Revenue Funds:	
Taxes	39,330
Accounts	1,620
Intergovernmental	5,242
Debt Service Fund:	
Taxes	187,900
Capital Project Funds:	
Taxes	19,440
Enterprise Funds:	
Accounts	688
Fiduciary Funds:	
Accounts	165
Total	\$ 2,691,094

8. FIXED ASSETS

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

**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

	Balance 06/30/02	Additions	Deductions	Balance 06/30/03
Land and Land Improvements	\$ 1,618,166	\$ 633,689	\$ 257,493	\$ 1,994,362
Buildings	3,891,235	7,815,017	293,296	11,412,956
Furniture, fixtures, and equipment	2,871,904	694,636	373,001	3,193,539
Textbooks and library books	831,536	-	329,397	502,139
Construction in progress	7,814,037	-	7,802,662	11,375
Total	<u>\$ 17,026,878</u>	<u>\$ 9,143,342</u>	<u>\$ 9,055,849</u>	<u>\$ 17,114,371</u>

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

	Balance 06/30/02	Additions	Deductions	Balance 06/30/03
Furniture, fixtures, and equipment	\$ 120,786	\$ 171,738	\$ 32,907	\$ 259,617
Accumulated depreciation	(84,309)	(23,536)	(31,872)	(75,973)
Total	<u>\$ 36,477</u>	<u>\$ 148,202</u>	<u>\$ 1,035</u>	<u>\$ 183,644</u>

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 or by calling (614) 222-5853.

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. 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, 2003, 2002, and 2001 were \$59,769, \$93,556, and \$98,455, respectively; 59 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$62,940 representing the unpaid contribution for fiscal year 2003 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

**CENTRAL LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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 or by calling (614) 227-4090.

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. 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, 2003, 2002, and 2001 were \$429,784, \$388,065, and \$373,544, respectively; 84 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$98,480 represents the unpaid contribution for fiscal year 2003, 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, 2003, three of the five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

10. POSTEMPLOYMENT BENEFITS

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

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Stabilization Fund. Effective July 1, 2002, 1 percent of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002.

For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000. There were 105,300 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

**CENTRAL LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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, 2002, the allocation rate is 8.54 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 2002, 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.

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, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$335.2 million.

The number of participants currently receiving health care benefits is approximately 50,000.

For the District, the amount to fund health care benefits, including surcharge, equaled \$93,485 during the 2003 fiscal year.

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 upon hiring. 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, 2003 the current amount of unpaid compensated absences and the balance of the liability in the General Long-Term Obligation Account Group was \$1,022,618.

12. LONG-TERM OBLIGATIONS

During the year ended June 30, 2003, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

**CENTRAL LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
General Obligation Bonds	\$ 2,365,000	\$ -	\$ 70,000	\$ 2,295,000
General Obligation Capital				
Appreciation Bonds	73,351	15,890	-	89,241
Employee Benefit Obligations	930,245	92,373	-	1,022,618
SERS and SERS Surcharge	52,489	10,644	-	63,133
Total	<u>\$ 3,421,085</u>	<u>\$ 118,907</u>	<u>\$ 70,000</u>	<u>\$ 3,469,992</u>

The scheduled payments of principal and interest on the general obligation bonds as of June 30, 2003 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2004	\$ 75,000	\$ 124,705	\$ 199,705
2005	80,000	121,023	201,023
2006	85,000	117,020	202,020
2007	90,000	112,687	202,687
2008	95,000	108,039	203,039
Thereafter	<u>1,959,241</u>	<u>904,315</u>	<u>2,863,556</u>
Total	<u>\$ 2,384,241</u>	<u>\$ 1,487,789</u>	<u>\$ 3,872,030</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 bonds consisted of \$2,440,000 of Current Interest Bonds (\$885,000 will be issued as serial bonds and \$1,555,000 will be issued as Term bonds) and \$41,571 of Capital Appreciation General Obligation Bonds. Bonds were issued in February 2001 for a twenty-two year period with final maturity on December 1, 2022.

The Current Interest Bonds bear interest at the rates per year and will mature in the principal amounts and on the Principal Payment Dates as follows:

Principal Payment Due	Principal Amount	Interest Rate
December 1, 2000	\$ 10,000	4.30%
December 1, 2001	65,000	4.40%
December 1, 2002	70,000	4.60%
December 1, 2003	75,000	4.70%
December 1, 2004	80,000	4.80%
December 1, 2005	85,000	4.90%
December 1, 2006	90,000	5.00%
December 1, 2007	95,000	5.05%
December 1, 2008	100,000	5.10%
December 1, 2009	105,000	5.15%
December 1, 2010	110,000	5.20%

**CENTRAL LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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The Term Bonds mature on December 1, 2022, bear interest at the rate of 5.75% per year, and are subject to mandatory sinking fund redemption and payable to Mandatory Sinking Fund Redemption Requirements in the principal amounts and on the Principal Dates (each a Mandatory Sinking Fund Requirement.)

Principal Payment Due	Principal Amount
December 1, 2013	\$ 125,000
December 1, 2014	130,000
December 1, 2015	135,000
December 1, 2016	145,000
December 1, 2017	155,000
December 1, 2018	160,000
December 1, 2019	165,000
December 1, 2020	175,000
December 1, 2021	185,000

The balance of the principle of the Term Bonds (\$180,000) is payable at the stated maturity on December 1, 2022.

The Current Interest Bonds are subject to redemption prior to maturity as provided in the Bonds Resolution and above, except that the Bonds maturing on or after December 1, 2010, either in whole at any time or in part on any Interest Payment Date, in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

Redemption Date (Dates inclusive)	Redemption Prices
December 1, 2010 through November 30, 2011	100%
December 1, 2011 and thereafter	100%

Capital Appreciation Bonds are issued in the principal amounts, mature and are payable as to both principal and interest in the Maturity Amounts on the Principal Payment Dates, and bear interest at the compounding rates per year as follows:

Principal Payment Date	Aggregate Principal Amount	Maturity Amount	Compounding Rate
December 1, 2011	\$ 22,286	\$ 120,000	15%
December 1, 2012	\$ 19,285	\$ 120,000	15%

Based on the actual interest rates to be borne by the Current Interest Bonds and the compounding interest rates to be borne by the Capital Appreciation Bonds, the principal amount of the Current Interest Bonds to mature or be payable pursuant to mandatory sinking fund redemption as specified above (i) the total principal and interest payments on the Bonds in any fiscal year in which the principal is payable is not more than three times the amount of those payments on the Bonds in

**CENTRAL LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

any other such fiscal year and (ii) the weighted average of the rates of interest per year to be borne by the Bonds is not in excess of 7 percent.

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, 2003 was as follows:

	Food Service	Uniform School Supply	Vocational Education	Total Enterprise Funds
Operating Revenues	\$ 282,795	\$ 53,864	\$ -	\$ 336,659
Depreciation	23,536	-	-	23,536
Operating Income (Loss)	(157,815)	5,379	-	(152,436)
Commodities	50,018	-	-	50,018
Interest	736	-	-	736
Operating Grants	73,794	-	-	73,794
Loss on Disposal of Asset	(1,035)	-	-	(1,035)
Other Non-Operating Revenues	2,738	-	-	2,738
Amount Contributed				
From Other Funds	171,738	-	-	171,738
Net Income (Loss)	144,777	5,379	-	150,156
Working Capital	9,035	36,232	10	45,277
Total Assets	247,496	36,232	10	283,738
Total Liabilities	54,817	-	-	54,817
Total Equity	192,679	36,232	10	228,921

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 District to NWOCA during this fiscal year were \$31,362. 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 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

**CENTRAL LOCAL SCHOOL DISTRICT
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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, Lois Knuth, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

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 percent 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. Workers' 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'

**CENTRAL LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

16. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$844,390. 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 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 District paid an enrollment fee of \$910 to the WCGRP to cover the costs of administering the program.

17. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

18. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2003 consist of the following individual fund receivables and payables:

**CENTRAL LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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	Interfund Receivable	Interfund Payable
General	\$ 2,440	\$ -
Special Revenue	-	2,440
Total All Funds	\$ 2,440	\$ 2,440

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

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2002	\$ 6,653	\$ -
Current Year Set-aside Requirement	151,650	151,650
Current Year Offsets	-	(82,928)
Qualifying Disbursements	(146,450)	(85,581)
Cash Balance Carried Forward to FY 2004	\$ 11,853	\$ (16,859)
Total Restricted Assets	\$ 11,853	\$ -



**Auditor of State
Betty Montgomery**

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

Central Local School District
Defiance County
06289 U.S. Highway 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, 2003, and have issued our report thereon dated December 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 17, 2003.

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 17, 2003.

This report is intended for the information and use 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.

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

Betty Montgomery
Auditor of State

December 17, 2003



**Auditor of State
Betty Montgomery**

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

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 20, 2004**