



**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Central Local School District  
Defiance County  
06298 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 (the School District) as of and for the year ended June 30, 2001, 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, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the School District reclassified its Expendable Trust Fund to an Agency Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2001 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

December 19, 2001

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**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,642,903	\$206,332	\$72,650	\$5,527,137
Cash and Cash Equivalents:				
With Fiscal Agents		71		
Receivables:				
Taxes	2,118,553	39,564	\$205,305	45,985
Accounts	50,427	16,880		
Accrued Interest	2,728	159		617
Interfund Receivable	2,141			
Intergovernmental				2,033,763
Income Tax	232,543			
Materials and Supplies Inventory	217,193			
Prepaid Items	14,124			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	66,068			
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund				
Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<b>\$5,346,680</b>	<b>\$263,006</b>	<b>\$277,955</b>	<b>\$7,607,502</b>



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$91,986	\$39,233			\$8,580,241
				71
				2,409,407
108				67,415
				3,504
				2,141
				2,033,763
				232,543
17,344				234,537
				14,124
				66,068
109,267 (79,088)		\$10,731,543		10,840,810 (79,088)
			\$72,650	72,650
			3,390,672	3,390,672
<b>\$139,617</b>	<b>\$39,233</b>	<b>\$10,731,543</b>	<b>\$3,463,322</b>	<b>\$27,868,858</b>

(Continued)

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2001  
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$54,403	\$4,453		
Contracts Payable				\$483,045
Accrued Wages and Benefits	570,140	12,624		
Compensated Absences Payable	16,202			
Interfund Payable		2,141		
Intergovernmental Payable	93,798	3,526		
Deferred Revenue	1,952,038	39,564	\$205,305	2,079,381
Undistributed Monies Due to Students				
General Obligation Bonds Payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	2,686,581	62,308	205,305	2,562,426
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	738,086	39,367		6,055,087
Reserved for Inventory	217,193			
Reserved for Prepaid Items	14,124			
Reserved for Advances	2,141			
Reserved for Endowments				
Reserved for Property Taxes	166,515			367
Reserved for Debt Service			72,650	
Reserved for Textbook and Instructional Materials	36,171			
Reserved for Budget Stabilization	29,897			
Unreserved:				
Unreserved, Undesignated	1,455,972	161,331		(1,010,378)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	2,660,099	200,698	72,650	5,045,076
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$5,346,680</u></b>	<b><u>\$263,006</u></b>	<b><u>\$277,955</u></b>	<b><u>\$7,607,502</u></b>

*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			
\$2,327	\$75			\$61,258
				483,045
15,156				597,920
12,916			\$927,629	956,747
				2,141
13,132			48,232	158,688
5,085				4,281,373
	37,036			37,036
			2,487,461	2,487,461
48,616	37,111		3,463,322	9,065,669
		\$10,731,543		10,731,543
194				194
90,807				90,807
				6,832,540
				217,193
				14,124
				2,141
	2,000			2,000
				166,882
				72,650
				36,171
				29,897
	122			607,047
91,001	2,122	10,731,543		18,803,189
<b>\$139,617</b>	<b>\$39,233</b>	<b>\$10,731,543</b>	<b>\$3,463,322</b>	<b>\$27,868,858</b>

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Intergovernmental	\$4,402,827	\$277,681
Interest	184,818	8,763
Tuition and Fees	13,538	
Rent	1,255	
Extracurricular Activities		111,814
Gifts and Donations	12,845	18,322
Customer Services	1,262	8,009
Income Tax	699,301	
Property and Other Local Taxes	2,072,216	38,285
Miscellaneous	2,089	14,863
Total Revenues	<u>7,390,151</u>	<u>477,737</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	3,299,765	50,376
Special	471,721	97,447
Vocational	158,835	196
Other	113,580	
Support Services:		
Pupils	227,515	52,968
Instructional Staff	15,710	12,018
Board of Education	19,420	
Administration	753,083	57,991
Fiscal	177,883	889
Business	67,414	
Operation and Maintenance of Plant	495,154	
Pupil Transportation	638,280	
Central	107,642	20,392
Extracurricular activities	220,440	154,717
Capital Outlay	98,649	
Debt Service:		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	<u>6,865,091</u>	<u>446,994</u>
Excess of Revenues Over Expenditures	<u>525,060</u>	<u>30,743</u>
<b>Other Financing Sources and Uses</b>		
Proceeds from Sale of Bonds		
Proceeds from Sale of Fixed Assets	3,030	
Refund of Prior Year Expenditures	19,058	232
Other Financing Sources	1,177	4,248
Refund of Prior Year Receipts		
Total Other Financing Sources	<u>23,265</u>	<u>4,480</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	548,325	35,223
Fund Balances at Beginning of Year	<u>2,111,774</u>	<u>165,475</u>
<b>Fund Balances at End of Year</b>	<u><b>\$2,660,099</b></u>	<u><b>\$200,698</b></u>

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

<b>Governmental Fund Types</b>		<b>Totals</b>
<b>Debt Service</b>	<b>Capital Projects</b>	<b>(Memorandum Only)</b>
\$18,866	\$4,415,915	\$9,115,289
	211,251	404,832
		13,538
		1,255
		111,814
		31,167
		9,271
		699,301
150,980	40,283	2,301,764
	150	17,102
<hr/>	<hr/>	<hr/>
169,846	4,667,599	12,705,333
	57,434	3,407,575
		569,168
		159,031
		113,580
		280,483
		27,728
		19,420
		811,074
3,891	1,018	183,681
		67,414
	54,969	550,123
		638,280
	5,320	133,354
		375,157
	2,460,381	2,559,030
10,000		10,000
154,925		154,925
<hr/>	<hr/>	<hr/>
168,816	2,579,122	10,060,023
<hr/>	<hr/>	<hr/>
1,030	2,088,477	2,645,310
4,880		4,880
		3,030
		19,290
		5,425
(462)		(462)
<hr/>	<hr/>	<hr/>
4,418		32,163
5,448	2,088,477	2,677,473
67,202	2,956,599	5,301,050
<hr/>	<hr/>	<hr/>
<b>\$72,650</b>	<b>\$5,045,076</b>	<b>\$7,978,523</b>

**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 AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$4,283,705	\$4,363,309	\$79,604
Interest	160,000	206,217	46,217
Tuition and Fees	11,600	13,475	1,875
Rent	1,600	1,255	(345)
Extracurricular Activities			
Gifts and Donations	15,504	34,008	18,504
Customer Services	1,950	1,262	(688)
Income Tax	750,000	695,164	(54,836)
Property and Other Local Taxes	2,032,500	2,089,585	57,085
Miscellaneous	12,000	2,089	(9,911)
Total Revenues	7,268,859	7,406,364	137,505
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	3,548,540	3,359,626	188,914
Special	586,570	492,238	94,332
Vocational	189,154	182,689	6,465
Adult/Continuing	3,430		3,430
Other	219,260	123,004	96,256
Support services:			
Pupils	278,005	219,985	58,020
Instructional Staff	172,023	158,313	13,710
Board of Education	40,133	28,059	12,074
Administration	1,093,943	870,456	223,487
Fiscal	214,780	186,481	28,299
Business	109,852	79,344	30,508
Operation and Maintenance of Plant	830,059	627,782	202,277
Pupil Transportation	872,064	753,072	118,992
Central	169,837	112,685	57,152
Extracurricular activities	281,456	227,802	53,654
Capital Outlay	836,817	382,755	454,062
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	9,445,923	7,804,291	1,641,632
Excess of Revenues Over (Under) Expenditures	(2,177,064)	(397,927)	1,779,137
<b>Other Financing Sources and Uses</b>			
Operating Transfers In			
Proceeds from Sale of Bonds			
Proceeds from Sale of Fixed Assets	2,500	3,030	530
Refund of Prior Year Expenditures	18,600	30,645	12,045
Advances In	8,629	8,629	
Other Financing Sources	1,250	1,177	(73)
Refund of Prior Year Receipts	(2,000)		2,000
Advances Out	(2,141)	(2,141)	
Total Other Financing Sources (Uses)	26,838	41,340	14,502
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,150,226)	(356,587)	1,793,639
Fund Balances at Beginning of Year	1,823,453	1,823,453	
Prior Year Encumbrances Appropriated	449,679	449,679	
<b>Fund Balance at end of Year</b>	<b>\$122,906</b>	<b>\$1,916,545</b>	<b>\$1,793,639</b>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$184,205	\$167,249	(\$16,956)	\$20,000	\$18,866	(\$1,134)
6,300	8,604	2,304			
165,869	109,216	(56,653)			
36,000	18,322	(17,678)			
18,100	8,009	(10,091)			
37,000	38,285	1,285	161,300	168,455	7,155
41,260	14,863	(26,397)			
<u>488,734</u>	<u>364,548</u>	<u>(124,186)</u>	<u>181,300</u>	<u>187,321</u>	<u>6,021</u>
63,396	53,293	10,103			
70,232	58,143	12,089			
196	196				
4,674	4,155	519			
11,107	10,076	1,031			
86,532	48,896	37,636			
1,500	889	611	6,000	3,891	2,109
6,000		6,000			
21,911	18,039	3,872			
245,482	187,708	57,774			
			10,000	10,000	
			154,925	154,925	
<u>511,030</u>	<u>381,395</u>	<u>129,635</u>	<u>170,925</u>	<u>168,816</u>	<u>2,109</u>
<u>(22,296)</u>	<u>(16,847)</u>	<u>5,449</u>	<u>10,375</u>	<u>18,505</u>	<u>8,130</u>
1,568		(1,568)			
			4,880	4,880	
154	803	649			
	2,141	2,141			
7,000	4,248	(2,752)			
(8,629)	(8,629)		(461)	(461)	
<u>93</u>	<u>(1,437)</u>	<u>(1,530)</u>	<u>4,419</u>	<u>4,419</u>	
(22,203)	(18,284)	3,919	14,794	22,924	8,130
145,441	145,441				
35,354	35,354				
<u><b>\$158,592</b></u>	<u><b>\$162,511</b></u>	<u><b>\$3,919</b></u>	<u><b>\$14,794</b></u>	<u><b>\$22,924</b></u>	<u><b>\$8,130</b></u>

(Continued)

**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 AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

	<b>Capital Projects</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Intergovernmental	\$6,440,755	4,415,915	(\$2,024,840)
Interest	110,000	210,634	100,634
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Income Tax			
Property and Other Local Taxes	42,590	43,754	1,164
Miscellaneous		150	150
<b>Total Revenues</b>	<b>6,593,345</b>	<b>4,670,453</b>	<b>(1,922,892)</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	60,468	57,434	3,034
Special			
Vocational			
Adult/Continuing			
Other			
Support services:			
Pupils	3,000		3,000
Instructional Staff			
Board of Education			
Administration	2,193		2,193
Fiscal	2,000	1,018	982
Business			
Operation and Maintenance of Plant	64,846	56,023	8,823
Pupil Transportation			
Central	18,600	5,321	13,279
Extracurricular activities			
Capital Outlay	9,405,745	8,514,414	891,331
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
<b>Total Expenditures</b>	<b>9,556,852</b>	<b>8,634,210</b>	<b>922,642</b>
Excess of Revenues Over (Under) Expenditures	<b>(2,963,507)</b>	<b>(3,963,757)</b>	<b>(1,000,250)</b>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In			
Proceeds from Sale of Bonds			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Refund of Prior Year Receipts			
Advances Out			
<b>Total Other Financing Sources (Uses)</b>			
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<b>(2,963,507)</b>	<b>(3,963,757)</b>	<b>(1,000,250)</b>
Fund Balances at Beginning of Year	2,962,328	2,962,328	
Prior Year Encumbrances Appropriated	40,160	40,160	
<b>Fund Balance at end of Year</b>	<b>\$38,981</b>	<b>(\$961,269)</b>	<b>(\$1,000,250)</b>

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



**Totals (Memorandum Only)**

<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$10,928,665	\$8,965,339	(\$1,963,326)
276,300	425,455	149,155
11,600	13,475	1,875
1,600	1,255	(345)
165,869	109,216	(56,653)
51,504	52,330	826
20,050	9,271	(10,779)
750,000	695,164	(54,836)
2,273,390	2,340,079	66,689
53,260	17,102	(36,158)
<b>14,532,238</b>	<b>12,628,686</b>	<b>(1,903,552)</b>
3,672,404	3,470,353	202,051
656,802	550,381	106,421
189,350	182,885	6,465
3,430		3,430
219,260	123,004	96,256
285,679	224,140	61,539
183,130	168,389	14,741
40,133	28,059	12,074
1,182,668	919,352	263,316
224,280	192,279	32,001
109,852	79,344	30,508
900,905	683,805	217,100
872,064	753,072	118,992
210,348	136,045	74,303
526,938	415,510	111,428
10,242,562	8,897,169	1,345,393
10,000	10,000	
154,925	154,925	
<b>19,684,730</b>	<b>16,988,712</b>	<b>2,696,018</b>
<b>(5,152,492)</b>	<b>(4,360,026)</b>	<b>792,466</b>
1,568	0	(1,568)
4,880	4,880	
2,500	3,030	530
18,754	31,448	12,694
8,629	10,770	2,141
8,250	5,425	(2,825)
(2,461)	(461)	2,000
(10,770)	(10,770)	
<b>31,350</b>	<b>44,322</b>	<b>12,972</b>
(5,121,142)	(4,315,704)	805,438
4,931,222	4,931,222	
525,193	525,193	
<b>\$335,273</b>	<b>\$1,140,711</b>	<b>\$805,438</b>

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND EQUITY  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Revenues:</b>			
Sales	\$327,541		\$327,541
Interest		\$150	150
Other Revenues	2,693		2,693
<b>Total Operating Revenues</b>	<u>330,234</u>	<u>150</u>	<u>330,384</u>
<b>Operating Expenses</b>			
Salaries	107,793		107,793
Fringe Benefits	50,874		50,874
Purchased Services	11,666		11,666
Materials and Supplies	218,174		218,174
Depreciation	4,733		4,733
Other Expenses	8,589	100	8,689
<b>Total Operating Expenses</b>	<u>401,829</u>	<u>100</u>	<u>401,929</u>
Operating Income (Loss)	<u>(71,595)</u>	<u>50</u>	<u>(71,545)</u>
<b>Non-Operating Revenues</b>			
Federal Donated Commodities	34,258		34,258
Interest	2,704		2,704
Federal and State Subsidies	55,310		55,310
Other Non-Operating Revenues	417		417
<b>Total Non-Operating Revenues</b>	<u>92,689</u>		<u>92,689</u>
Net Income (Loss)	21,094	50	21,144
Retained Earnings/Fund Balances at Beginning of Year	<u>69,713</u>	<u>2,072</u>	<u>71,785</u>
Retained Earnings/Fund Balances at End of Year	<u>90,807</u>	<u>2,122</u>	<u>92,929</u>
Contributed Capital at Beginning of Year	194		194
Contributed Capital at End of Year	<u>194</u>		<u>194</u>
<b>Total Fund Equity at End of Year</b>	<u><b>\$91,001</b></u>	<u><b>\$2,122</b></u>	<u><b>\$93,123</b></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, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Sales	\$331,014		\$331,014
Cash Received from Charges for Services	210		210
Other Cash Receipts	2,981		2,981
Cash Payments to Suppliers for Goods and Services	(181,971)		(181,971)
Cash Payments for Contract Services	(11,666)		(11,666)
Cash Payments for Employee Services	(104,557)		(104,557)
Cash Payments for Employee Benefits	(51,281)		(51,281)
Other Cash Payments	(8,589)	(\$100)	(8,689)
Net Cash Used by Operating Activities	<u>(23,859)</u>	<u>(100)</u>	<u>(23,959)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	55,310		55,310
Other	417		417
Net Cash Provided by Noncapital Financing Activities	<u>55,727</u>		<u>55,727</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Received	2,704	150	2,854
Net Cash Provided by Investing Activities	<u>2,704</u>	<u>150</u>	<u>2,854</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(390)		(390)
Net Cash Used by Capital and Related Financing Activities	<u>(390)</u>		<u>(390)</u>
Net Increase in Cash and Cash Equivalents	34,182	50	34,232
Cash and Cash Equivalents at Beginning of Year	57,804	2,072	59,876
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$91,986</u></b>	<b><u>\$2,122</u></b>	<b><u>\$94,108</u></b>

(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, 2001  
(Continued)**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	<b>Totals</b>
	<b>Enterprise</b>	<b>Nonexpendable Trust</b>	<b>(Memorandum Only)</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	(\$71,595)	\$50	(\$71,545)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	4,733		4,733
Donated Commodities Used During the Year	34,258		34,258
Adjustments to Capital Outlay	(1,462)		(1,462)
Nonexpendable Trust Interest		(150)	(150)
(Increase) Decrease in Assets:			
Accounts Receivable	3,971		3,971
Material and Supplies Inventory	2,967		2,967
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	1,956		1,956
Intergovernmental Payable	(1,256)		(1,256)
Deferred Revenue	(1,497)		(1,497)
Accrued Wages and Benefits	2,129		2,129
Accounts Payable	1,937		1,937
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(23,859)</b>	<b>(\$100)</b>	<b>(23,959)</b>
<b>Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2001:</b>			
Cash and Cash Equivalents - Trust and Agency Funds			\$39,233
Less: Agency Funds			(37,111)
<b>Cash and Cash Equivalents - Nonexpendable Trust Funds</b>			<b>\$2,122</b>

The Food Service fund consumed donated commodities with a value of \$34,258. Use of these commodities is 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, 2001**

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four-instructional/support facilities staffed by 57 noncertified and 84 certificated full time teaching personnel who provide services to 1,199 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 15 and 17 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, 2001  
(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.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(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 funds' and the nonexpendable trust fund's operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Agency funds are custodial in nature and do not present results of operations or have a measurement focus.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(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.

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 has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 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, 2001  
(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.

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

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are 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 2001.

**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

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

**4. Encumbrances**

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

**5. Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

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

During fiscal year 2001, investments were limited to STAR Ohio and certificates of deposit. Nonnegotiable certificates of deposit are reported at cost. Investment earnings are allocated as authorized by State statute.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. 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

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

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 2001 amounted to \$184,818, \$8,763, \$211,251, \$2,704, and \$150 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 and the Bureau of Workers' Compensation portion of the Budget Stabilization. See Note 21 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, 2001  
(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 Grant  
Textbook/Instructional Material Subsidy  
Ohio Reads Grant  
Summer School Subsidy  
Ext. Learning Opportunity  
Safe School Hotline  
Ohio School Conflict/Classroom Management  
Eisenhower Grant  
Title VI-B - Flow Through  
Title I  
Title VI  
Drug Free Grant  
Title VIR  
Continuous Improvement Grant

**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

***Capital Projects Funds***

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

**Reimbursable Grants**

***General Fund***

- Driver Education
- Carl E. Perkins Grant

***Capital Projects Fund***

- Vocational Education Equipment

***Proprietary Funds***

- National School Lunch Program
- Government Donated Commodities

**J. Compensated Absences**

The School District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the School District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the School District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the School District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 2001.

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

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

and capital leases are recognized as a liability of the general long-term obligations account group until due.

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

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

**L. Interfund Transactions**

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

**M. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, prepaid items, advances, debt service, property taxes, textbooks and instructional materials, the Bureau of Workers' Compensation portion of the budget stabilization, 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. RESTATEMENT OF FUND BALANCES**

The School District reclassified its Expendable Trust Fund to an Agency Fund to more closely reflect the purpose of the fund. This change affected the Expendable Trust Fund presentation as follows:

**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

	Expendable Trust Fund
Equity at June 30, 2000 (as reported)	\$3,191
Prior Period Adjustment	(3,191)
Restated Equity at July 1, 2000	\$0
Excess of Revenue over Expenditures for the period July 1 through June 30, 2000	\$881
Prior Period Adjustment	(881)
Restated Excess of Revenue Over Expenditures for the period July 1 through June 30, 2000	\$0

This reclassification increased Agency fund assets and liabilities by \$3,191 as of July 1, 2000.

In the prior year, the School District misclassified tax revenues in a Capital Project fund rather than a Debt Service fund as required by the tax levy. This change affected the Debt Service fund and Capital Projects fund presentation as follows:

	Capital Projects Building Fund	Debt Service Fund
Equity at June 30, 2000 (as reported)	\$67,202	\$0
Prior Period Adjustment	(67,202)	67,202
Restated Equity at July 1, 2000	\$0	\$67,202
Excess of Revenue over Expenditures for the period July 1 through June 30, 2000	\$49,726	\$0
Prior Period Adjustment	(49,726)	49,726
Restated Excess of Revenue Over Expenditures for the period July 1 through June 30, 2000	\$0	\$49,726

**4. 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 and 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).

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	(\$356,587)	(\$18,284)	\$22,924	(\$3,963,757)
Revenue Accruals	(16,213)	113,189	(17,476)	(2,853)
Expenditure Accruals	146,774	(109,420)		(483,045)
Other Accruals	(18,075)	5,917		
Encumbrances	792,426	43,821		6,538,132
GAAP Basis	\$548,325	\$35,223	\$5,448	\$2,088,477

**5. CASH AND CASH EQUIVALENTS**

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

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

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

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

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



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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 2001, the School District's investments were limited to STAR Ohio. During the fiscal year, all investments of the School District had a maturity of two years or less.

At fiscal year end, the School District had \$56 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".

At year end, the School District had \$71 held at the Northwest Ohio Educational Service Center. This amount is included in the balance sheet as "Cash and Cash Equivalents with Fiscal Agents."

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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 \$866,008 and the bank balance was \$1,122,725. \$265,000 of the bank balance was covered by federal depository insurance. \$857,725 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the FDIC.

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

	Carrying Value	Fair Value
STAR Ohio	\$7,780,245	\$7,780,245

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	\$8,646,380	
Cash on Hand	(56)	
Cash with Fiscal Agents	(71)	
Investments:		
STAR Ohio	(7,780,245)	\$7,780,245
Total	\$866,008	\$7,780,245

**6. 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

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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 2001 taxes are based as follows:

	<u>Amount</u>
Residential/Agricultural	\$2,027,650
Commercial/Industrial	69,807,400
Public Utility	12,116,250
General Personal Property	<u>2,083,786</u>
Total valuation	<u><u>\$86,035,086</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, 2001 are available to finance fiscal year 2001 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, 2001. 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, 2001 was \$166,882 and is recognized as revenue. \$166,514 was available to the general fund and \$368 was available to the capital projects fund.

**7. 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.

**8. RECEIVABLES**

Receivables at June 30, 2001, consisted of taxes, accounts, intergovernmental revenue, 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:

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	Amounts
General Fund:	
Taxes	\$2,118,553
Accounts	50,427
Accrued Interest	2,728
Intergovernmental	2,033,763
Income Tax	232,543
Special Revenue Funds:	
Taxes	39,564
Accounts	16,880
Accrued Interest	159
Capital Project Funds:	
Taxes	251,290
Accrued Interest	617
Enterprise Funds:	
Accounts	108
Total	\$4,746,632

**9. FIXED ASSETS**

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

	Balance 6/30/00	Additions	Deductions	Balance 6/30/01
Land and Land Improvements	\$917,822	\$687,055		\$1,604,877
Buildings	3,705,635	186,098	\$748	3,890,985
Furniture, fixtures, and equipment	2,648,379	359,627	196,612	2,811,394
Textbooks and library books	752,062	24,987		777,049
Construction in progress		1,647,238		1,647,238
Total	\$8,023,898	\$2,905,005	\$197,360	\$10,731,543

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

	Balance 6/30/00	Additions	Deductions	Balance 6/30/01
Furniture, fixtures, and equipment	\$107,415	\$1,852		\$109,267
Accumulated depreciation	(74,355)	(4,733)		(79,088)
Total	\$33,060	(\$2,881)		\$30,179

**10. 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

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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, 2001, 2000, and 1999 were \$140,650, \$139,980, and \$126,640, respectively; 65 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$49,392 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 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, 2001, 2000, and 1999 were \$550,544, \$522,837, and \$481,423, respectively; 85 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$82,588 represents the unpaid contribution for fiscal year 2001, 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, 2001, 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.

**11. POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement

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Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

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

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45 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 2000, 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, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of School District's contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .6036, then adding the surcharge due as of June 30, 2000, as certified to the School District by SERS.

**12. 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 on hiring. Employees are permitted to carry over vacation leave earned for two succeeding years.

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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, 2001 the current amount of unpaid compensated absences and the balance of the liability in the General Long-Term Obligation Account Group was \$927,629.

**13. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2001, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	<u>Balance at June 30, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2001</u>
General Obligation Bonds	\$2,440,000		\$10,000	\$2,430,000
Capital Appreciation Bonds	41,571	\$15,890		57,461
Employee Benefit Obligations	921,394	6,235		927,629
SERS and SERS Surcharge	52,913		4,681	48,232
Total	<u>\$3,455,878</u>	<u>\$22,125</u>	<u>\$14,681</u>	<u>\$3,463,322</u>

The scheduled payments of principal and interest on the general obligation bonds as of June 30, 2001 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$49,110	\$131,117	\$180,227
2003	54,110	128,078	182,188
2004	59,110	124,705	183,815
2005	64,110	121,023	185,133
2006	69,110	117,020	186,130
Thereafter	2,191,911	1,172,731	3,364,642
Total	<u>\$2,487,461</u>	<u>\$1,794,674</u>	<u>\$4,282,135</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 General Obligation Bonds and \$41,571 of Capital Appreciation Bonds. Bonds were issued in February 2000 for a twenty-two year period with final maturity on December 1, 2022.

**14. 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, 2001 was as follows:

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	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Vocational Education</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$283,119	\$46,905	\$210	\$330,234
Depreciation	4,733			4,733
Operating Income (Loss)	(69,573)	(2,232)	210	(71,595)
Commodities	34,258			34,258
Interest	2,704			2,704
Operating Grants	55,310			55,310
Other	417			417
Net Income (Loss)	23,116	(2,232)	210	21,094
Working Capital	31,693	28,589	540	60,822
Total Assets	108,231	30,846	540	139,617
Total Liabilities	46,359	2,257		48,616
Total Equity	61,872	28,589	540	91,001

**15. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the School District to NWOCA during this fiscal year were \$64,383. 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 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



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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.

**16. RISK MANAGEMENT**

**A. Comprehensive**

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

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

**B. Employee Insurance Benefits Program**

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

**C. 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 17). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

**17. 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

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Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the School District to NBEC for employee insurance benefits during this fiscal year were \$644,517. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program.

During this fiscal year, the District paid an enrollment fee of \$922 to the WCGRP to cover the costs of administering the program.

**18. STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 19, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the court granted this motion reconsideration. The court may re-examine and redetermine any issue upon such reconsideration.

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

**19. INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2001 consist of the following individual fund receivables and payables:

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

	Interfund Receivable	Interfund Payable
General	\$2,141	
Special Revenue		\$2,141
Total All Funds	\$2,141	\$2,141

**20. CONTRACTUAL COMMITMENTS**

As of June 30, 2001, the School District had the following contractual purchase commitments:

	Amount Remaining
Wise Bus Sales	\$95,393
Mel Lanzer Co.	3,135,045
Fort Defiance Construction and Supply, Inc.	540,608
Arco, Inc.	150,835
Armor Fire Protection, Inc.	93,850
L. R. Babcock, Inc.	318,118
Fitzenrider, Inc.	1,059,815
Laux-Arnold dba LA Electric	590,680
	\$5,984,344

**21. 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. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds were required to be set-aside at fiscal year end.

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

	Textbooks	Capital Acquisition	Budget Stabilization	Total
Set-aside Cash Balance as of June 30, 2000	\$4,852	\$86,998	\$77,784	\$169,634
Current Year Set-aside Requirement	161,255	161,255		322,510
Current Year Offsets		(247,829)		(247,829)
Qualifying Disbursements	(128,035)	(424)	(47,887)	(176,346)
Cash Balance Carried Forward to FY 2002	\$38,171		\$29,897	\$68,068
Total Restricted Assets	\$38,171		\$29,897	\$68,068

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**22. SUBSEQUENT EVENTS**

In May 2001, the district voters approved a renewal emergency levy. The School District will receive approximately \$615,000 a year for the next three years beginning in fiscal year 2002.

**23. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.



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

Central Local School District  
Defiance County  
06298 U.S. Highway 127  
Sherwood, Ohio 43556-9735

To the Board of Education:

We have audited the financial statements of Central Local School District (the School District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 19, 2001 in which we noted that the District reclassified its Expendable Trust Fund as an Agency Fund. 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*. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 19, 2001.

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

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

**Jim Petro**  
Auditor of State

December 19, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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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 10, 2002**