



**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2009**



**Mary Taylor, CPA**  
Auditor of State



**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Central Local School District  
Defiance County  
06289 U.S. Highway 127  
Sherwood, Ohio 43556-9735

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Central Local School District, Defiance County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Central Local School District, Defiance County, Ohio, as of June 30, 2009, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

February 17, 2010

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

The discussion and analysis of the financial performance of Central Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2009 are as follows:

In total, net assets decreased \$351,854.

General revenues accounted for \$9,676,765, or 84 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$1,894,246, or 16 percent of total revenues of \$11,571,011.

The District's major fund included the General Fund. The General Fund had \$10,208,860 in revenues and other financing sources and \$10,346,786 in expenditures. The General Fund's balance decreased \$137,926 from the prior fiscal year.

**Using the Basic Financial Statements**

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

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

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

For the District, the General Fund is by far the most significant fund. The General Fund is the only major fund.

**Reporting the District as a Whole**

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

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2009. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

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

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

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

**Fund Financial Statements**

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

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

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

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

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2009 compared to fiscal year 2008.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

**Table 1  
Net Assets  
Governmental Activities**

	<u>2009</u>	<u>2008</u>
<b><u>Assets:</u></b>		
Current and Other Assets	\$5,807,567	\$5,967,730
Capital Assets, Net	9,814,912	10,013,131
Total Assets	<u>15,622,479</u>	<u>15,980,861</u>
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	3,298,993	3,346,520
Long-Term Liabilities	3,301,144	3,260,145
Total Liabilities	<u>6,600,137</u>	<u>6,606,665</u>
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	7,700,137	7,974,440
Restricted	850,876	836,102
Unrestricted	471,329	563,654
Total	<u>\$9,022,342</u>	<u>\$9,374,196</u>

Table 2 reflects the changes in net assets for fiscal year 2009 compared to fiscal year 2008.

**Table 2  
Change in Net Assets  
Governmental Activities**

	<u>2009</u>	<u>2008</u>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$621,642	\$1,086,005
Operating Grants, Contributions and Interest	1,272,604	1,364,824
Total Program Revenues	<u>1,894,246</u>	<u>2,450,829</u>
General Revenues:		
Property Taxes	2,584,089	2,421,396
Income Taxes	770,471	837,919
Grants and Entitlements	6,168,911	5,637,256
Gifts and Donations	60,808	52,962
Investment Earnings	77,105	135,101
Miscellaneous	13,720	67,601
Proceeds from Sale of Capital Assets	1,661	400
Insurance Recoveries		9,833
Total General Revenues	<u>9,676,765</u>	<u>9,162,468</u>
Total Revenues	<u>11,571,011</u>	<u>11,613,297</u>

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

<b><u>Expenses:</u></b>		
Instruction	6,512,924	6,390,099
Support Services:		
Pupils	540,876	526,849
Instructional Staff	240,606	234,398
Board of Education	19,251	36,892
Administration	895,114	993,798
Fiscal	232,577	325,183
Business	59,932	63,691
Operation and Maintenance of Plant	733,271	746,182
Pupil Transportation	932,535	909,656
Central	166,395	208,542
Non-Instructional Services	558,688	545,795
Extracurricular Activities	565,121	447,925
Capital Outlay	339,553	316,813
Interest and Fiscal Charges	126,022	123,929
Total Expenses	<u>11,922,865</u>	<u>11,869,752</u>
Decrease in Net Assets	<u>(\$351, 854)</u>	<u>(\$256,455)</u>

Expenses increased due to an increase wages and benefits as well as an increase in fuel prices.

Governmental Activities

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

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
Instruction	\$6,512,924	\$5,552,680	\$6,390,099	\$4,885,982
Support Services:				
Pupils	540,876	540,876	526,849	459,295
Instructional Staff	240,606	158,133	234,398	165,296
Board of Education	19,251	19,251	36,892	36,892
Administration	895,114	842,566	993,798	945,708
Fiscal	232,577	232,577	325,183	325,183
Business	59,932	59,932	63,691	63,691
Operation and Maintenance of Plant	733,271	733,271	746,182	746,182
Pupil Transportation	932,535	893,172	909,656	869,690
Central	166,395	151,469	208,542	191,480
Non-Instructional Services	558,688	28,280	545,795	2,074
Extracurricular Activities	565,121	350,837	447,925	286,708
Capital Outlay	339,553	339,553	316,813	316,813
Interest and Fiscal Charges	126,022	126,022	123,929	123,929
Total Expenses	<u>\$11,922,865</u>	<u>\$10,028,619</u>	<u>\$11,869,752</u>	<u>\$9,418,923</u>

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 85 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 84 percent. The remaining 16 percent are derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental fund is the General Fund. Total governmental funds had revenues and other financing sources of \$11,774,976 and expenditures of \$11,907,126. The net negative change of \$132,150 in fund balance for the year indicates that the District has some difficulty in meeting current costs.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2009, the District amended its General Fund budget as needed.

Final budgeted expenditures and other financing uses were budgeted at \$12,525,093 while actual expenditures were \$10,325,768. The \$2,199,325 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2009, the District had \$9,814,912 invested in capital assets (net of accumulated depreciation) for governmental activities.

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

**Debt**

At June 30, 2009, the District had \$1,954,581 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-three year period, with final maturity on December 1, 2022. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2009, the District's overall legal debt margin was \$7,448,125, with an un-voted debt margin of \$104,475.

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

**Current Issues**

The District is holding its own in the state of a declining economy and uncertainty in State funding. Sherwood, Mark Center, Farmer and Ney are small rural communities located within the District. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the second year of the state biennium budget. 35 percent of District revenue sources is from local funds, 60 percent is from state funds, and the remaining 5 percent is from federal funds. The total expenditure per pupil was calculated at \$8,531.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

In May 2007, the District passed a five-year emergency levy to generate \$615,000 annually. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the long term effects of public utility deregulation as well as the reduction of personal property for business inventory. Additionally, the state of the overall economy and projected shortfalls in the State budget add uncertainty as to future levels of state educational assistance.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ted Penner, Treasurer, Central Local School District, 06289 U S Route 127 N, Sherwood, Ohio 43556-9735.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Net Assets  
June 30, 2009**

	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,842,032
Materials and Supplies Inventory	49,007
Accrued Interest Receivable	1,371
Accounts Receivable	419
Intergovernmental Receivable	25,446
Prepaid Items	5,199
Taxes Receivable	2,563,712
Income Taxes Receivable	320,381
Non-Depreciable Capital Assets	201,152
Depreciable Capital Assets, net	9,613,760
Total Assets	<u>15,622,479</u>
<b>Liabilities</b>	
Accounts Payable	50,732
Accrued Wages and Benefits	789,927
Intergovernmental Payable	229,157
Deferred Revenue	2,229,177
Long-Term Liabilities:	
Due Within One Year	335,998
Due in More Than One Year	2,965,146
Total Liabilities	<u>6,600,137</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	7,700,137
Restricted for Debt Service	139,793
Restricted for Capital Outlay	5
Restricted for Other Purposes	711,078
Unrestricted	471,329
Total Net Assets	<u>\$9,022,342</u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2009**

	<b>Program Revenues</b>		<b>Net (Expenses) Revenues and Changes in Net Assets</b>	
<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$4,478,147	\$67,948	\$75,370	(\$4,334,829)
Special	1,114,376		772,383	(341,993)
Vocational	204,682		44,543	(160,139)
Adult/Continuing	31,581			(31,581)
Student Intervention Services	113,166			(113,166)
Other	570,972			(570,972)
Support Services:				
Pupils	540,876			(540,876)
Instructional Staff	240,606		82,473	(158,133)
Board of Education	19,251			(19,251)
Administration	895,114	47,548	5,000	(842,566)
Fiscal	232,577			(232,577)
Business	59,932			(59,932)
Operation and Maintenance of Plant	733,271			(733,271)
Pupil Transportation	932,535		39,363	(893,172)
Central	166,395		14,926	(151,469)
Operation of Non-Instructional Services	558,688	291,862	238,546	(28,280)
Extracurricular Activities	565,121	214,284		(350,837)
Capital Outlay	339,553			(339,553)
Debt Service:				
Interest and Fiscal Charges	126,022			(126,022)
<b>Totals</b>	<b>\$11,922,865</b>	<b>\$621,642</b>	<b>\$1,272,604</b>	<b>(10,028,619)</b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes			2,360,516	
Property Taxes, Levied for Debt Service			183,430	
Property Taxes, Levied for Other			40,143	
Income Taxes			770,471	
Grants and Entitlements not Restricted to Specific Programs			6,168,911	
Gifts and Donations			60,808	
Investment Earnings			77,105	
Miscellaneous			13,720	
Proceeds from Sale of Capital Assets			1,661	
<b>Total General Revenues</b>			<b>9,676,765</b>	
Change in Net Assets				(351,854)
Net Assets Beginning of Year				9,374,196
Net Assets End of Year				<b>\$9,022,342</b>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2009**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,867,074	\$771,944	\$2,639,018
Materials and Supplies Inventory	29,977	19,030	49,007
Accrued Interest Receivable	1,371		1,371
Accounts Receivable	18	401	419
Interfund Receivable	3,200		3,200
Intergovernmental Receivable		25,446	25,446
Prepaid Items	5,199		5,199
Taxes Receivable	2,344,469	219,243	2,563,712
Income Taxes Receivable	320,381		320,381
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	203,014		203,014
<b>Total Assets</b>	<b>4,774,703</b>	<b>1,036,064</b>	<b>5,810,767</b>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	32,942	17,790	50,732
Accrued Wages and Benefits	745,933	43,994	789,927
Interfund Payable		3,200	3,200
Intergovernmental Payable	214,362	14,795	229,157
Matured Compensated Absences Payable	177,633		177,633
Deferred Revenue	2,128,324	220,007	2,348,331
	<b>3,299,194</b>	<b>299,786</b>	<b>3,598,980</b>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	144,513	37,598	182,111
Reserved for Inventory	29,977	19,030	49,007
Reserved for Prepaid Items	5,199		5,199
Reserved for Property Taxes	266,869	24,578	291,447
Reserved for Textbooks and Instructional Materials	203,014		203,014
Unreserved, Undesignated, Reported in:			
General Fund	825,937		825,937
Special Revenue Funds		535,772	535,772
Debt Service Funds		119,295	119,295
Capital Projects Funds		5	5
<b>Total Fund Balances</b>	<b>1,475,509</b>	<b>736,278</b>	<b>2,211,787</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$4,774,703</b>	<b>\$1,036,064</b>	<b>\$5,810,767</b>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2009**

Total Governmental Fund Balances		\$2,211,787
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		9,814,912
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		119,154
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Capital Leases Payable	(109,076)	
General Obligation Bonds Payable	(1,954,581)	
Compensated Absences Payable	(1,059,854)	
	<u>                    </u>	(3,123,511)
Net Assets of Governmental Activities		<u><u>\$9,022,342</u></u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2009**

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property and Other Local Taxes	\$2,345,610	\$223,584	\$2,569,194
Income Tax	779,985		779,985
Intergovernmental	6,753,988	678,518	7,432,506
Interest	74,427	2,678	77,105
Tuition and Fees		64,102	64,102
Rent	1,187		1,187
Extracurricular Activities		247,455	247,455
Gifts and Donations	28,138	32,670	60,808
Customer Sales and Services	438	308,460	308,898
Miscellaneous	5,071	8,649	13,720
Total Revenues	<u>9,988,844</u>	<u>1,566,116</u>	<u>11,554,960</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	4,234,083	104,722	4,338,805
Special	875,391	232,163	1,107,554
Vocational	209,685		209,685
Adult/Continuing	31,581		31,581
Student Intervention Services	113,166		113,166
Other	575,156		575,156
Support Services:			
Pupils	527,807	2,634	530,441
Instructional Staff	158,136	82,470	240,606
Board of Education	19,251		19,251
Administration	824,103	64,377	888,480
Fiscal	250,382	5,940	256,322
Business	59,175		59,175
Operation and Maintenance of Plant	721,700		721,700
Pupil Transportation	1,026,365		1,026,365
Central	160,800	5,330	166,130
Operation of Non-Instructional Services		554,737	554,737
Extracurricular Activities	316,404	251,185	567,589
Capital Outlay	127,280	53,692	180,972
Debt Service:			
Principal	109,279	100,000	209,279
Interest	7,042	103,090	110,132
Total Expenditures	<u>10,346,786</u>	<u>1,560,340</u>	<u>11,907,126</u>
Excess of Revenues Over (Under) Expenditures	<u>(357,942)</u>	<u>5,776</u>	<u>(352,166)</u>
<b>Other Financing Sources</b>			
Proceeds from Sale of Capital Assets	1,661		1,661
Inception of Capital Lease	218,355		218,355
Total Other Financing Sources	<u>220,016</u>		<u>220,016</u>
Net Change in Fund Balances	(137,926)	5,776	(132,150)
Fund Balance at Beginning of Year	1,613,435	730,502	2,343,937
Fund Balance at End of Year	<u>\$1,475,509</u>	<u>\$736,278</u>	<u>\$2,211,787</u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds (\$132,150)

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

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

Capital Outlay - Depreciable Capital Assets	349,315	
Depreciation	(541,293)	
	(191,978)	(191,978)

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

Loss on Disposal of Capital Assets		(6,241)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	9,009	
Income Taxes	(9,514)	
Delinquent Property Taxes	14,895	
	14,390	14,390

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		209,279
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Interest charges reported on the statement of activities, that do no require the use of current financial resources, are not reported as expenditures in governmental funds.		(15,890)
--	--	----------

Inception of capital lease		(218,355)
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Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable	(10,909)	
	(10,909)	(10,909)

Change in Net Assets of Governmental Activities		(\$351,854)
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See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Revenues, Expenditures, and Changes  
In Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Property and Other Local Taxes	\$2,222,510	\$2,298,768	\$2,287,741	(\$11,027)
Income Tax	858,412	814,412	812,879	(1,533)
Intergovernmental	7,033,676	6,816,281	6,753,988	(62,293)
Interest	127,000	77,000	75,640	(1,360)
Rent	2,000	1,000	1,187	187
Gifts and Donations	20,000	30,000	28,138	(1,862)
Customer Sales and Services	1,000	1,000	438	(562)
Miscellaneous	16,000	4,000	4,008	8
Total Revenues	<u>10,280,598</u>	<u>10,042,461</u>	<u>9,964,019</u>	<u>(78,442)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,783,540	4,853,511	4,270,774	582,737
Special	1,003,100	1,033,203	865,947	167,256
Vocational	221,605	255,355	228,498	26,857
Adult/Continuing	25,000	32,000	31,581	419
Student Intervention Services	131,700	136,475	113,316	23,159
Other	531,000	584,223	580,485	3,738
Support Services:				
Pupils	481,405	556,505	531,966	24,539
Instructional Staff	196,540	201,164	163,459	37,705
Board of Education	49,600	52,198	30,046	22,152
Administration	926,764	958,385	854,319	104,066
Fiscal	274,295	276,856	256,485	20,371
Business	97,941	97,941	69,017	28,924
Operation and Maintenance of Plant	827,989	858,840	733,825	125,015
Pupil Transportation	1,016,250	1,073,224	951,828	121,396
Central	223,805	263,900	197,999	65,901
Extracurricular Activities	306,953	344,247	318,079	26,168
Capital Outlay	315,000	280,392	128,144	152,248
Total Expenditures	<u>11,412,487</u>	<u>11,858,419</u>	<u>10,325,768</u>	<u>1,532,651</u>
Excess of Revenues Under Expenditures	<u>(1,131,889)</u>	<u>(1,815,958)</u>	<u>(361,749)</u>	<u>1,454,209</u>
<b>Other Financing Sources and (Uses)</b>				
Transfers In	340,000	340,000		(340,000)
Proceeds from Sale of Fixed Assets	1,000	1,000	1,661	661
Insurance Recoveries	10,000	10,000		(10,000)
Refund of Prior Year Expenditures			1,561	1,561
Transfers Out	(341,100)	(341,100)		341,100
Advances Out	(3,200)	(3,200)		3,200
Refund of Prior Year Receipts	(2,000)	(2,000)		2,000
Other Financing Uses	(807,200)	(320,374)		320,374
Total Other Financing Sources and (Uses)	<u>(802,500)</u>	<u>(315,674)</u>	<u>3,222</u>	<u>318,896</u>
Net Change in Fund Balances	(1,934,389)	(2,131,632)	(358,527)	1,773,105
Fund Balance at Beginning of Year	2,064,660	2,064,660	2,064,660	
Prior Year Encumbrances Appropriated	186,709	186,709	186,709	
Fund Balance at End of Year	<u>\$316,980</u>	<u>\$119,737</u>	<u>\$1,892,842</u>	<u>\$1,773,105</u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2009**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$5,385	\$49,924
Total Assets	<u>5,385</u>	<u>49,924</u>
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies		49,924
Total Liabilities		<u>\$49,924</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	5,385	
Total Net Assets	<u>\$5,385</u>	

See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2009**

	<u>Private Purpose Trust</u>
<b>ADDITIONS:</b>	
Interest	<u>\$150</u>
<b>DEDUCTIONS:</b>	
Payments in Accordance with Trust Agreements	<u>200</u>
Change in Net Assets	(50)
Net Assets Beginning of Year	<u>5,435</u>
Net Assets End of Year	<u><u>\$5,385</u></u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Central Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Central Local School District is a local school district as defined by §3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's two instructional/support facilities staffed by 64 non-certified and 80 certified full-time teaching personnel who provide services to 1,136 students and other community members.

**The Reporting Entity**

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

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

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Educational Regional Services System, 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 17 and 18 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund is the District's major governmental fund:

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

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

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of a private-purpose trust fund and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust funds account for programs that provide college scholarships to students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**C. Measurement Focus**

Government-Wide Financial Statements

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

Fund Financial Statements

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

The private-purpose trust fund is accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

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

Revenues - Exchange and Non-exchange Transactions

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

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

**E. Budgetary Process**

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

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

at the fund, function, and object level for all funds. Any budgetary modifications at this level may only be made by the Board of Education.

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

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

**F. Cash and Investments**

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

During fiscal year 2009, investments were limited to STAR Ohio, certificates of deposit, and brokered certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair market value, which is based on quoted market values. Nonparticipating investment contracts, such as nonnegotiable certificates of deposits, are valued at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$74,427, which includes \$14,902 assigned from other funds.

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

**G. Inventory**

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

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

**H. Restricted Assets**

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

**I. Capital Assets**

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

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

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

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

**J. Interfund Balances**

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

**K. Compensated Absences**

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

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**M. Net Assets**

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

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

**N. Prepaid Items**

Certain payments to vendors reflect the costs applicable to future accounting periods, and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**O. Fund Balance Reserves**

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

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

**P. Estimates**

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

**Q. Pass-Through Grants**

The Title VI-B Special Education and Handicapped Preschool Special Revenue Funds are pass-through grants in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting of Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

**3. BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

<b>Net Change in Fund Balance Major Governmental Fund</b>	
GAAP Basis	(\$137,926)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2008, Received In Cash FY 2009	514,651
Accrued FY 2009, Not Yet Received in Cash	(539,476)
Expenditure Accruals:	
Accrued FY 2008, Paid in Cash FY 2009	(1,155,786)
Accrued FY 2009, Not Yet Paid in Cash	1,354,049
Net Accrued for Other Financing Sources and Uses	(216,794)
Encumbrances Outstanding at Year End (Budget Basis)	<u>(177,245)</u>
Budget Basis	<u><u>(\$358,527)</u></u>

**4. DEPOSITS AND INVESTMENTS**

Monies held by the District are classified by State statute into three categories.

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

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

Interim 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.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**4. DEPOSITS AND INVESTMENTS (Continued)**

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

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 of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$776,883 of the District's bank balance of \$1,285,851 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**4. DEPOSITS AND INVESTMENTS (Continued)**

Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities Less than One Year</u>	<u>Maturities Less than Five Years</u>
Brokered Certificates of Deposit	\$514,000	\$95,000	\$419,000
STAR Ohio	1,360,005	1,360,005	
Total Investments	<u>\$1,874,005</u>	<u>\$1,455,005</u>	<u>\$419,000</u>

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily.

Credit Risk - STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in STAR Ohio represents 73 percent of the District's total investments.

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes for 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2009 were levied after April 1, 2008, on the assessed values as of December 31, 2007, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**5. PROPERTY TAXES (Continued)**

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Defiance and Williams Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2009 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2009, was \$266,869 in the General Fund, \$4,280 in the Classroom Facilities Maintenance Special Revenue Fund, and \$20,298 in the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2008, was \$209,000 in the General Fund, \$3,772 in the Classroom Facilities Maintenance Special Revenue Fund, and \$17,326 in the Bond Retirement Debt Service Fund.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	<b>2008 Second- Half Collections</b>		<b>2009 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$84,742,443	87%	\$94,786,960	91%
Industrial/Commercial	3,148,340	3%	3,087,100	3%
Public Utility	8,143,100	9%	6,600,450	6%
Tangible Personal	1,097,225	1%		
Total Assessed Value	<u>\$97,131,108</u>	<u>100%</u>	<u>\$104,474,510</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$29.00		\$28.50	

**6. INCOME TAX**

The 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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**7. RECEIVABLES**

Receivables at June 30, 2009, consisted of property, income tax, accounts (rent and student fees), intergovernmental, 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 items of intergovernmental receivables follows:

	<b>Amount</b>
Governmental Activities	
Food Service	\$104
Title I Grant	16,056
Title V Grant	222
Drug Free Schools Grant	40
Title II-A Grant	7,401
Title II-D Grant	1,623
Total Intergovernmental Receivables	<b>\$25,446</b>

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<b>Balance at 6/30/08</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/09</b>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$201,152			\$201,152
Total Nondepreciable Capital Assets	201,152			201,152
Depreciable Capital Assets				
Land Improvements	2,100,214	\$55,200		2,155,414
Buildings and Building Improvements	11,295,939	15,375		11,311,314
Furniture, Fixtures, and Equipment	1,395,160	87,034	\$(56,601)	1,425,593
Vehicles	1,377,977	191,706	(17,141)	1,552,542
Total Depreciable Capital Assets	16,169,290	349,315	(73,742)	16,444,863
Less Accumulated Depreciation				
Land Improvements	(609,638)	(74,134)		(683,772)
Buildings and Building Improvements	(3,669,563)	(238,784)		(3,908,347)
Furniture, Fixtures, and Equipment	(988,454)	(134,488)	53,396	(1,069,546)
Vehicles	(1,089,656)	(93,887)	14,105	(1,169,438)
Total Accumulated Depreciation	(6,357,311)	(541,293)	67,501	(6,831,103)
Depreciable Capital Assets, Net	9,811,979	(191,978)	(6,241)	9,613,760
Governmental Activities Capital Assets, Net	<b>\$10,013,131</b>	<b>(\$191,978)</b>	<b>\$(6,241)</b>	<b>\$9,814,912</b>

**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**8. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$135,358
Special	1,886
Vocational	3,174
Support Services:	
Pupil	6,279
Administration	3,205
Fiscal	1,875
Business	757
Operation and Maintenance of Plant	10,899
Pupil Transportation	90,340
Central	265
Non-Instructional Services	22,133
Extracurricular	25,966
Capital Outlay	239,156
Total Depreciation Expense	<u><u>\$541,293</u></u>

**9. RESTRICTED ASSETS**

The following amount, which is reflected on the statement of net assets, is restricted for textbook set-asides.

	<b>Governmental Activities</b>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$203,014</u>

**10. RISK MANAGEMENT**

**A. Comprehensive**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. RISK MANAGEMENT (Continued)**

Insurance coverage provided through Phelan Insurance Agency includes the following:

Education General Liability:	
Each Occurrence	\$1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Fire Damage Limit – Any One Event	300,000
Medical Expense – Any One Person/Each Accident	15,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer’s Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Errors and Omissions Liability (\$1,000 deductible):	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000
Employment Practices (\$1,000 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000

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

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams counties and other eligible governmental entities (see Note 18). The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, vision, 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 District participates in the Northern Buckeye Education Council Workers’ Compensation Group Rating Plan (the Plan), an insurance purchasing pool (see Note 18). 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. The District paid \$1,147 in premiums during the 2009 fiscal year.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. RISK MANAGEMENT (Continued)**

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.

**11. DEFINED PENSION BENEFIT PLANS**

**A. School Employee Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$127,842, \$131,403, and \$137,926, respectively; 50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. The unpaid contributions for fiscal year 2009 are \$63,305.

**B. State Teachers Retirement System**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$628,030, \$664,232, and \$647,835, respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. The unpaid contributions for fiscal year 2009 are \$100,512.

**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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2009, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages paid.

**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**12. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$76,784, \$59,964, and \$45,791 respectively; 50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008 and 2007 was \$10,548, \$9,468 and \$9,379, respectively; 50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal year 2008 and 2007.

**B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

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(Continued)**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$48,310, \$51,095, and \$49,834 respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**13. COMPENSATED ABSENCES**

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

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rated basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-third of the accumulated sick leave to a maximum of 60 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 103 days.

**14. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2009, the following changes occurred in obligations reported in the Government -Wide Financial Statements:

	<b>Balance at 6/30/08</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at 6/30/09</b>	<b>Due Within One Year</b>
General Obligation Bonds	\$1,870,000		\$100,000	\$1,770,000	\$105,000
Capital Appreciation Bonds	168,691	\$15,890		184,581	
Capital Leases		218,355	109,279	109,076	53,365
Employee Benefit Obligations	1,221,454	16,033		1,237,487	177,633
<b>Total</b>	<b>\$3,260,145</b>	<b>\$250,278</b>	<b>\$209,279</b>	<b>\$3,301,144</b>	<b>\$335,998</b>

The scheduled payments of principal and interest on the general obligation bonds as of June 30, 2009 are as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**14. LONG-TERM OBLIGATIONS (Continued)**

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$105,000	\$97,836	\$202,836
2011	110,000	92,273	202,273
2012	95,573	64,984	160,557
2013	89,008	58,424	147,432
2014	125,000	85,819	210,819
2015-2019	725,000	311,506	1,036,506
2020-2023	705,000	82,656	787,656
Total	<u>\$1,954,581</u>	<u>\$793,498</u>	<u>\$2,748,079</u>

The District passed a levy issue on the November 1999 ballot for the issuance of bonds to cover its share of construction on the new elementary building. The bonds consisted of \$2,440,000 of Current Interest General Obligation bonds and \$41,571 of Capital Appreciation General Obligation bonds. Bonds were issued in February 2000 for a twenty-three year period with final maturity on December 1, 2022.

The Current Interest bonds shall bear interest at the rates per year and will mature in the principal amounts and on the principal payment dates as follows:

<u>Principal Payment Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
December 1, 2009	\$105,000	5.15%
December 1, 2010	110,000	5.20%

The Term bonds shall be stated to mature on December 1, 2022, shall bear interest at the rate of 5.75% per year, and shall be subject to mandatory sinking fund redemption and payable to Mandatory Sinking Fund Redemption Requirements in the principal amounts and on the principal payment dates (each a Mandatory Sinking Fund Requirement) as follows:

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

The balance of the principal of the Term bonds (\$180,000) shall be payable at their stated maturity on December 1, 2022.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**14. LONG-TERM OBLIGATIONS (Continued)**

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

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

Capital Appreciation bonds shall be dated the date of their issuance (April 11, 2000), shall be issued in the principal amounts, shall mature and be payable as to both principal and interest in the maturity amounts on the principal payment dates, and shall bear interest at the compounding rates per year as follows:

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

Based on the actual interest rates to be borne by the Current Interest bonds and the compounding interest rates to be borne by the Capital Appreciation bonds, the principal amount of the Current Interest bonds to mature or be payable pursuant to mandatory sinking fund redemption as specified above (i) the total principal and interest payments on the bonds in any fiscal year in which the principal is payable is not more than three times the amount of those payments on the bonds in any other such fiscal year and (ii) the weighted average of the rates of interest per year to be borne by the bonds is not in excess of 7%.

**15. CAPITAL LEASE – LESSEE DISCLOSURE**

The District is obligated under one capital lease for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The cost of the leased assets (three new school buses) is accounted for in the Government Activities Capital Assets and the related liability in the Government Activities Long-Term Liabilities. The original cost of the asset under capital lease was \$218,355 at 4.39% interest.

The following is a schedule of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2008:

<b>Fiscal Year Ending June 30,</b>	<b>General Long-Term Obligations</b>
2010	\$58,161
2011	58,160
Total Future Minimum Lease Payments	116,321
Less: Amount Representing Interest	(7,245)
Present Value of Future Minimum Lease Payments	\$109,076

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

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

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

	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set-aside Cash Balance as of June 30, 2008	\$120,180	\$39,900
Current Year Set-aside Requirement	181,605	181,605
Current Year Offsets		(39,638)
Qualifying Disbursements	(98,771)	(181,867)
Cash Balance Carried Forward to FY 2010	\$203,014	
Total Restricted Assets	\$203,014	

**17. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$49,363. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) 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, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, 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; and one

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Jennifer Bonner, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**D. Educational Regional Service System**

The Educational Regional Services System (System) is a jointly governed organization among the school districts located in Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam Sandusky, Seneca, Van Wert, Williams, and Wood Counties. House Bill 115 established the System and required the creation of a coordinated, integrated, and aligned system to support state and school district efforts to improve school effectiveness and student achievement.

The System is a 16-region system consisting of a State Regional Alliance Advisory Board, an advisory council and 5 specialized subcommittees for each of the 16 regions, a fiscal agent for each region, educational service centers, special education regional resource centers, data acquisition sites, and other regional service providers. The 34 member State Regional Alliance Advisory Board is not a policymaking body. Members are to receive no compensation. The Board's duties are to promote communication and coordination among the State Board of Education, the Department of Education, fiscal agents, advisory councils, and customers of the System. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Lucas County Educational Service Center, 2275 Collingwood, Toledo, Ohio 43620.

**18. GROUP PURCHASING POOLS**

**A. NBEC Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$1,084,701. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. NBEC WORKERS' COMPENSATION GROUP RATING PLAN**

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$1,147 to the WCGRP to cover the costs of administering the program.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**19. INTERFUND TRANSFERS**

No interfund transfers were made during the year ended June 30, 2009.

**20. CONTINGENCIES**

**A. Grants**

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

**B. Litigation**

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

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# Mary Taylor, CPA

Auditor of State

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

Central Local School District  
Defiance County  
06289 U.S. Highway 127  
Sherwood, Ohio 43556-9735

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Central Local School District, Defiance County, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated February 17, 2009.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance matter that we reported to the District's management in a separate letter dated February 17, 2010.

We intend this report solely for the information and use of management and the Board of Education. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 17, 2010

CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Recommendation regarding monitoring of financial statements.	No	Partially Corrected; Reported in the Management Letter

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Central Local School District  
Defiance County  
06289 U.S. Highway 127  
Sherwood, Ohio 43556-9735

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Central Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 18, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



**Mary Taylor, CPA**  
Auditor of State

February 17, 2010



Mary Taylor, CPA  
Auditor of State

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  
MARCH 11, 2010