



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

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**STATE OF OHIO**



**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Central Local School District (the School District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Central Local School District, Defiance County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2002 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

December 13, 2002

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**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
As June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,423,422	\$279,382	\$72,731	\$1,969,256
Cash with Escrow Agent				151,883
Receivables:				
Taxes	2,818,784	35,598	183,871	45,303
Accounts		111		
Intergovernmental		4,174		
Accrued Interest	2,157			
Interfund Receivable	606			
Income Tax	266,488			
Materials and Supplies Inventory	69,384			
Prepaid Items	17,051			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	6,653			
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
<b>Total Assets and Other Debits</b>	<b>\$5,604,545</b>	<b>\$319,265</b>	<b>\$256,602</b>	<b>\$2,166,442</b>



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$78,644	\$44,484			\$4,867,919 151,883
				3,083,556 190 4,174 2,157 606 266,488
79				84,916 17,051
15,532				6,653
120,786 (84,309)		\$17,026,878		17,147,664 (84,309)
			\$72,731	72,731
			3,348,354	3,348,354
<b>\$130,732</b>	<b>\$44,484</b>	<b>\$17,026,878</b>	<b>\$3,421,085</b>	<b>\$28,970,033</b>

(Continued)

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
As June 30, 2002  
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$45,534	\$115		
Contracts Payable				\$442,136
Accrued Wages and Benefits	568,475	12,334		
Compensated Absences Payable	24,687			
Interfund Payable		606		
Intergovernmental Payable	104,117	2,080		
Retainage Payable				151,883
Deferred Revenue	2,693,606	39,772	\$173,571	40,575
Undistributive Monies				
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	3,436,419	54,907	173,571	634,594
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	332,018	16,123		994,722
Reserved for Inventory	69,384			
Reserved for Prepaid Items	17,051			
Reserved for Debt Service			72,731	
Reserved for Advances	606			
Reserved for Endowments				
Reserved for Property Taxes	125,178		10,300	4,728
Reserved for Textbooks and Instructional Materials	6,653			
Unreserved, Undesignated	1,617,236	248,235		532,398
Total Fund Equity and Other Credits	2,168,126	264,358	83,031	1,531,848
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$5,604,545</b>	<b>\$319,265</b>	<b>\$256,602</b>	<b>\$2,166,442</b>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$1,285				\$46,934
				442,136
16,349				597,158
15,088			\$930,245	970,020
				606
12,765			52,489	171,451
				151,883
6,480				2,954,004
	\$35			35
	42,327			42,327
			2,438,351	2,438,351
51,967	42,362		3,421,085	7,814,905
		\$17,026,878		17,026,878
194				194
78,571				78,571
				1,342,863
				69,384
				17,051
				72,731
				606
	2,000			2,000
				140,206
				6,653
	122			2,397,991
78,765	2,122	17,026,878		21,155,128
<b>\$130,732</b>	<b>\$44,484</b>	<b>\$17,026,878</b>	<b>\$3,421,085</b>	<b>\$28,970,033</b>

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Fund Types  
For the Year Ended June 30, 2002**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Intergovernmental	\$4,763,699	\$134,431
Interest	92,621	5,166
Tuition and Fees	8,495	
Rent	1,100	
Extracurricular Activities		126,734
Gifts and Donations	3,001	36,649
Customer Services	1,373	9,622
Income Tax	713,339	
Property and Other Local Taxes	2,081,761	38,993
Miscellaneous	6,330	10,820
<b>Total Revenues</b>	<u>7,671,719</u>	<u>362,415</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	3,430,801	43,752
Special	544,973	59,709
Vocational	166,695	128
Other	154,056	
Support Services:		
Pupils	218,637	8,439
Instructional Staff	252,833	987
Board of Education	23,236	
Administration	879,768	51,520
Fiscal	198,000	904
Business	43,183	
Operation and Maintenance of Plant	802,907	13,000
Pupil Transportation	587,505	
Central	158,112	3,603
Extracurricular activities	234,109	122,790
Capital Outlay	345,996	
Debt Service:		
Principal		
Interest		
<b>Total Expenditures</b>	<u>8,040,811</u>	<u>304,832</u>
Excess of Revenues Over (Under) Expenditures	<u>(369,092)</u>	<u>57,583</u>
<b>Other Financing Sources and Uses</b>		
Operating Transfers In		
Refund of Prior Year Expenditures	14,389	2,210
Other Financing Sources	596	3,867
Operating Transfers Out	(137,866)	
<b>Total Other Financing Sources and (Uses)</b>	<u>(122,881)</u>	<u>6,077</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(491,973)	63,660
Fund Balance at Beginning of Year	<u>2,660,099</u>	<u>200,698</u>
<b>Fund Balance at End of Year</b>	<u><b>\$2,168,126</b></u>	<u><b>\$264,358</b></u>

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

<u>Governmental Fund Types</u>		<u>Totals</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
\$20,157	\$2,092,026	\$7,010,313
	93,877	191,664
		8,495
		1,100
		126,734
		39,650
		10,995
		713,339
190,518	48,439	2,359,711
		17,150
<u>210,675</u>	<u>2,234,342</u>	<u>10,479,151</u>
	2,219	3,476,772
		604,682
		166,823
		154,056
	225	227,301
		253,820
		23,236
		931,288
4,177	1,027	204,108
		43,183
		815,907
		587,505
	1,210	162,925
		356,899
	5,880,755	6,226,751
65,000		65,000
131,117		131,117
<u>200,294</u>	<u>5,885,436</u>	<u>14,431,373</u>
<u>10,381</u>	<u>(3,651,094)</u>	<u>(3,952,222)</u>
	137,866	137,866
		16,599
		4,463
		(137,866)
	<u>137,866</u>	<u>21,062</u>
10,381	(3,513,228)	(3,931,160)
<u>72,650</u>	<u>5,045,076</u>	<u>7,978,523</u>
<u><b>\$83,031</b></u>	<u><b>\$1,531,848</b></u>	<u><b>\$4,047,363</b></u>

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental Fund Types  
For the Year Ended June 30, 2002**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$4,675,491	\$4,814,001	\$138,510
Interest	208,000	93,192	(114,808)
Tuition and Fees	3,050	8,620	5,570
Rent	1,200	1,100	(100)
Extracurricular Activities			
Gifts and Donations	35,750	3,001	(32,749)
Customer Services	1,650	1,373	(277)
Income Tax	725,000	679,394	(45,606)
Property and Other Local Taxes	2,085,142	2,123,098	37,956
Miscellaneous	8,000	6,330	(1,670)
Total Revenues	<u>7,743,283</u>	<u>7,730,109</u>	<u>(13,174)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	3,766,312	3,476,536	289,776
Special	686,422	548,131	138,291
Vocational	181,053	168,123	12,930
Adult/Continuing			-
Other	171,418	157,648	13,770
Support services:			
Pupils	305,346	224,606	80,740
Instructional Staff	151,210	118,059	33,151
Board of Education	36,237	26,802	9,435
Administration	1,130,561	900,957	229,604
Fiscal	249,301	201,865	47,436
Business	99,425	61,444	37,981
Operation and Maintenance of Plant	1,120,209	862,496	257,713
Pupil Transportation	1,224,973	646,087	578,886
Central	216,337	167,300	49,037
Extracurricular activities	284,800	240,575	44,225
Capital Outlay	726,919	464,581	262,338
Debt Service:			
Principal			
Interest			
Total Expenditures	<u>10,350,523</u>	<u>8,265,210</u>	<u>2,085,313</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,607,240)</u>	<u>(535,101)</u>	<u>2,072,139</u>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In			
Proceeds from Sale of Fixed Assets	3,000		(3,000)
Refund of Prior Year Expenditures	30,000	14,389	(15,611)
Advances In	2,141	2,141	
Other Financing Sources	1,600	596	(1,004)
Operating Transfers Out	(137,866)	(137,866)	
Advances Out	(606)	(606)	
Total Other Financing Sources (Uses)	<u>(101,731)</u>	<u>(121,346)</u>	<u>(19,615)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(2,708,971)</u>	<u>(656,447)</u>	<u>2,052,524</u>
Fund Balances at Beginning of Year	1,916,545	1,916,545	
Prior Year Encumbrances Appropriated	792,426	792,426	
<b>Fund Balance at End of Year</b>	<u><u>\$2,052,524</u></u>	<u><u>\$2,052,524</u></u>	

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$169,001	\$148,661	(\$20,340)	\$20,400	\$20,157	(\$243)
9,300	5,325	(3,975)			
132,833	129,273	(3,560)			
31,300	36,649	5,349			
20,100	9,622	(10,478)			
39,500	38,993	(507)	204,000	180,218	(23,782)
33,500	10,820	(22,680)			
<u>435,534</u>	<u>379,343</u>	<u>(56,191)</u>	<u>224,400</u>	<u>200,375</u>	<u>(24,025)</u>
52,536	44,847	7,689			
71,471	59,378	12,093			
131	128	3			
9,664	8,682	982			
1,413	1,298	115			
92,299	58,761	33,538			
1,200	904	296	5,000	4,177	823
13,000	13,000				
6,731	6,007	724			
214,946	134,068	80,878			
			65,000	65,000	
			131,200	131,117	83
<u>463,391</u>	<u>327,073</u>	<u>136,318</u>	<u>201,200</u>	<u>200,294</u>	<u>906</u>
<u>(27,857)</u>	<u>52,270</u>	<u>80,127</u>	<u>23,200</u>	<u>81</u>	<u>(23,119)</u>
1,000		(1,000)			
600	2,210	1,610			
	606	606			
7,000	3,867	(3,133)			
<u>(2,141)</u>	<u>(2,141)</u>				
<u>6,459</u>	<u>4,542</u>	<u>(1,917)</u>			
(21,398)	56,812	78,210	23,200	81	(23,119)
162,511	162,511		22,924	22,924	
43,820	43,820				
<u><b>\$184,933</b></u>	<u><b>\$263,143</b></u>	<u><b>\$78,210</b></u>	<u><b>\$46,124</b></u>	<u><b>\$23,005</b></u>	<u><b>(\$23,119)</b></u>

(Continued)

CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual Comparison (Non-GAAP Budgetary Basis)**  
**All Governmental Fund Types**  
**For the Year Ended June 30, 2002**  
**(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$2,420,438	\$2,092,026	(\$328,412)
Interest	985,904	94,494	(891,410)
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Income Tax			
Property and Other Local Taxes	46,000	44,078	(1,922)
Miscellaneous			
Total Revenues	3,452,342	2,230,598	(1,221,744)
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	41,946	40,205	1,741
Special			
Vocational			
Adult/Continuing			
Other			
Support services:			
Pupils	3,000	225	2,775
Instructional Staff			
Board of Education			
Administration	2,193		2,193
Fiscal	1,300	1,027	273
Business	3,530	3,530	
Operation and Maintenance of Plant	9,878	1,054	8,824
Pupil Transportation			
Central	13,279	1,210	12,069
Extracurricular activities			
Capital Outlay	9,042,218	7,315,951	1,726,267
Debt Service:			
Principal			
Interest			
Total Expenditures	9,117,344	7,363,202	1,754,142
Excess of Revenues Over (Under) Expenditures	(5,665,002)	(5,132,604)	532,398
<b>Other Financing Sources and Uses</b>			
Operating Transfers In	137,866	137,866	
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Operating Transfers Out			
Advances Out			
Total Other Financing Sources (Uses)	137,866	137,866	
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,527,136)	(4,994,738)	532,398
Fund Balances at Beginning of Year	(961,269)	(961,269)	
Prior Year Encumbrances Appropriated	6,538,132	6,538,132	
<b>Fund Balance at End of Year</b>	<b>\$49,727</b>	<b>\$582,125</b>	<b>\$532,398</b>

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



**Totals (Memorandum Only)**

<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$7,285,330	\$7,074,845	(\$210,485)
1,203,204	193,011	(1,010,193)
3,050	8,620	5,570
1,200	1,100	(100)
132,833	129,273	(3,560)
67,050	39,650	(27,400)
21,750	10,995	(10,755)
725,000	679,394	(45,606)
2,374,642	2,386,387	11,745
41,500	17,150	(24,350)
<b>11,855,559</b>	<b>10,540,425</b>	<b>(1,315,134)</b>
3,860,794	3,561,588	299,206
757,893	607,509	150,384
181,184	168,251	12,933
171,418	157,648	13,770
318,010	233,513	84,497
152,623	119,357	33,266
36,237	26,802	9,435
1,225,053	959,718	265,335
256,801	207,973	48,828
102,955	64,974	37,981
1,143,087	876,550	266,537
1,224,973	646,087	578,886
236,347	174,517	61,830
499,746	374,643	125,103
9,769,137	7,780,532	1,988,605
65,000	65,000	
131,200	131,117	83
<b>20,132,458</b>	<b>16,155,779</b>	<b>3,976,679</b>
<b>(8,276,899)</b>	<b>(5,615,354)</b>	<b>2,661,545</b>
138,866	137,866	(1,000)
3,000		(3,000)
30,600	16,599	(14,001)
2,141	2,747	606
8,600	4,463	(4,137)
(137,866)	(137,866)	
(2,747)	(2,747)	
<b>42,594</b>	<b>21,062</b>	<b>(21,532)</b>
(8,234,305)	(5,594,292)	2,640,013
1,140,711	1,140,711	
7,374,378	7,374,378	
<b>\$280,784</b>	<b>\$2,920,797</b>	<b>\$2,640,013</b>

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Fund Equity  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Revenues:</b>			
Sales	\$295,749		\$295,749
Interest		\$100	100
Other Revenues	846		846
<b>Total Operating Revenues</b>	<u>296,595</u>	<u>100</u>	<u>296,695</u>
<b>Operating Expenses</b>			
Salaries	115,520		115,520
Fringe Benefits	53,274		53,274
Purchased Services	12,668		12,668
Materials and Supplies	211,590		211,590
Depreciation	5,221		5,221
Other	10,116	100	10,216
<b>Total Operating Expenses</b>	<u>408,389</u>	<u>100</u>	<u>408,489</u>
Operating Loss	<u>(111,794)</u>		<u>(111,794)</u>
<b>Non-Operating Revenues and Expenses</b>			
Federal Donated Commodities	36,926		36,926
Interest	1,202		1,202
Federal and State Subsidies	59,105		59,105
Other Non-Operating Revenues	2,325		2,325
<b>Total Non-Operating Revenues and Expenses</b>	<u>99,558</u>		<u>99,558</u>
Net Loss	<u>(12,236)</u>		<u>(12,236)</u>
Retained Earnings/Fund Balances at Beginning of Year	<u>90,807</u>	<u>2,122</u>	<u>92,929</u>
Retained Earnings/Fund Balances at End of Year	78,571	2,122	80,693
Contributed Capital at Beginning of Year	194		194
Capital Contributions During the Year			
Contributed Capital at End of Year	<u>194</u>		<u>194</u>
<b>Total Fund Equity at End of Year</b>	<u><u>\$78,765</u></u>	<u><u>\$2,122</u></u>	<u><u>\$80,887</u></u>

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

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Combined Statement of Cash Flows  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Sales	\$295,778		\$295,778
Other Cash Receipts	846		846
Cash Payments to Suppliers for Goods and Service	(170,473)		(170,473)
Cash Payments for Contract Services	(12,667)		(12,667)
Cash Payments for Employee Services	(112,806)		(112,806)
Cash Payments for Employee Benefits	(52,990)		(52,990)
Other Cash Payments	(10,116)	(\$100)	(10,216)
Net Cash Used by Operating Activities	<u>(62,428)</u>	<u>(100)</u>	<u>(62,528)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	59,105		59,105
Other	2,325		2,325
Net Cash Provided by Noncapital Financing Activities	<u>61,430</u>		<u>61,430</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Received	1,202	100	1,302
Net Cash Provided by Investing Activities	<u>1,202</u>	<u>100</u>	<u>1,302</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(13,546)		(13,546)
Net Cash Provided by Capital and Related Financing Activities	<u>(13,546)</u>		<u>(13,546)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(13,342)		(13,342)
Cash and Cash Equivalents at Beginning of Year	91,986	2,122	94,108
<b>Cash and Cash Equivalents at End of Year</b>	<b><u><u>\$78,644</u></u></b>	<b><u><u>\$2,122</u></u></b>	<b><u><u>\$80,766</u></u></b>

(Continued)

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Combined Statement of Cash Flows  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2002  
(Continued)**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>			
Operating Loss	(\$111,794)		(\$111,794)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:</b>			
Depreciation	5,221		5,221
Donated Commodities Used During the Year	36,926		36,926
Adjustments to Capital Outlay	2,027		2,027
Nonexpendable Trust Interest		(100)	(100)
(Increase) Decrease in Assets:			
Accounts Receivable	29		29
Material and Supplies Inventory	1,812		1,812
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	2,172		2,172
Intergovernmental Payable	(367)		(367)
Deferred Revenue	1,395		1,395
Accrued Wages and Benefits	1,193		1,193
Accounts Payable	(1,042)		(1,042)
Total Adjustments	<u>49,366</u>	<u>(100)</u>	<u>49,266</u>
<b>Net Cash Used by Operating Activities</b>	<b><u>(\$62,428)</u></b>	<b><u>(\$100)</u></b>	<b><u>(\$62,528)</u></b>

**Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2002:**

Cash and Cash Equivalents - Trust and Agency Funds	\$44,484
Less: Agency Funds	<u>(42,362)</u>

**Cash and Cash Equivalents - Nonexpendable Trust Funds** **\$2,122**

The Food Service fund consumed donated commodities with a value of \$39,926. Use of these commodities is reflected as an operating expense.

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

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002**

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four-instructional/support facilities staffed by 57 noncertified and 85 certificated full time teaching personnel who provide services to 1,134 students and other community members.

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation - Fund Accounting**

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

aid financial management by segregating transactions related to certain School District functions or activities.

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

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

**1. Governmental Fund Types**

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

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

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

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

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

**2. Proprietary Fund Types**

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

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**3. Fiduciary Fund Types**

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

**4. Account Groups**

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

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

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

**B. Measurement Focus and Basis of Accounting**

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

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

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

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

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

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

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

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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

**C. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents



**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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

**1. Tax Budget**

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

**2. Estimated Resources**

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

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

**4. Encumbrances**

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

**5. Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

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

During fiscal year 2002, investments were limited to STAR Ohio, a money market mutual fund, and certificates of deposit. Nonnegotiable certificates of deposit are reported at cost. Investment earnings are allocated as authorized by State statute.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR OHIO) during fiscal year 2002. 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, 2002.

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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund, Special Revenue fund type, Capital Projects fund type, Cafeteria fund, and Non Expendable Trust fund during fiscal year 2002 amounted to \$92,621, \$5,166, \$93,877, \$1,202, and \$100 respectively.

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

**E. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted by statute to be set-aside by the School District for the purchase of textbooks and instructional materials. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**F. Estimates**

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

**G. Inventory**

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

**H. Fixed Assets and Depreciation**

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

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

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

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

**I. Intergovernmental Revenues**

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

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

**Entitlements**

***General Fund***

State Foundation Program  
School Bus Purchase

**Non-Reimbursable Grants**

***Special Revenue Funds***

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

***Capital Projects Funds***

School Net Plus  
IVDL Subsidy  
Ohio State Classroom Facilities

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

**Reimbursable Grants**

***General Fund***

Driver Education  
Carl E. Perkins Grant

***Capital Projects Fund***

Vocational Education Equipment

***Proprietary Funds***

National School Lunch Program  
Government Donated Commodities

**J. Compensated Absences**

The School District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the School District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the School District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the School District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 2002.

For governmental funds, the School District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

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

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

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

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

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

**L. Interfund Transactions**

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

**M. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for endowments signifies the legal restrictions on the use of principal.

**N. Total Columns on General-Purpose Financial Statements**

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

**3. BUDGETARY BASIS OF ACCOUNTING**

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

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

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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(Continued)**

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.
4. Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	(\$656,447)	\$56,812	\$81	(\$4,994,738)
Revenue Accruals	(58,390)	(16,928)	10,300	3,744
Expenditure Accruals	(153,152)	6,003		40,909
Other Accruals	(1,535)	1,535		
Encumbrances	377,551	16,238		1,436,857
GAAP Basis	(\$491,973)	\$63,660	\$10,381	(\$3,513,228)

**4. CASH AND CASH EQUIVALENTS**

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

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

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

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

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

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

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

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

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

During fiscal year 2002, the School District's investments were limited to STAR Ohio and a Money Market Mutual Fund. During the fiscal year, all investments of the School District had a maturity of two years or less.

At fiscal year end, the School District had \$56 in undeposited cash on hand, which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

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



**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$610,350 and the bank balance was \$1,292,092. \$239,337 of the bank balance was covered by federal depository insurance. \$1,052,755 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the FDIC.

*Investments:* The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the School District's name.

The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The School District has a money market mutual fund for the Ohio State Facilities Classroom escrow account which is a Category 2 investment.

	Carrying Value	Fair Value
STAR Ohio	\$4,264,166	\$4,264,166
Money Market Mutual	151,883	151,883
	\$4,416,049	\$4,416,049

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$5,026,455	
Cash on Hand	(56)	
Investments:		
Money Market Mutual	(151,883)	\$151,883
STAR Ohio	(4,264,166)	4,264,166
Total	\$610,350	\$4,416,049

**5. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2002 taxes are based as follows:

	<u>Amount</u>
Residential/Agricultural	\$2,112,510
Commercial/Industrial	71,051,790
Public Utility	10,706,840
General Personal Property	<u>2,318,770</u>
Total valuation	<u><u>\$86,189,910</u></u>

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

The School District receives property taxes from Defiance and Williams Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002 are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002 was \$140,206 and is recognized as revenue. \$125,178 was available to the general fund, \$4,728 was available to the capital projects fund and \$10,300 was available in the debt service fund.

**6. INCOME TAX**

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

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

**7. RECEIVABLES**

Receivables at June 30, 2002, consisted of taxes, accounts, interfund, intergovernmental revenue, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal receivables follows:

	Amounts
General Fund:	
Taxes	\$2,818,784
Accrued Interest	2,157
Income Tax	266,488
Interfund Receivable	606
Special Revenue Funds:	
Taxes	35,598
Accounts	111
Intergovernmental	4,174
Debt Service Fund:	
Taxes	183,871
Capital Project Funds:	
Taxes	45,303
Enterprise Funds:	
Accounts	79
Total	\$3,357,171

**8. FIXED ASSETS**

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

	Balance 6/30/01	Additions	Deductions	Balance 6/30/02
Land and Land Improvements	\$1,604,877	\$13,289		\$1,618,166
Buildings	3,890,985	250		3,891,235
Furniture, fixtures, and equipment	2,811,394	211,419	\$150,909	2,871,904
Textbooks and library books	777,049	54,487		831,536
Construction in progress	1,647,238	6,166,799		7,814,037
Total	\$10,731,543	\$6,446,244	\$150,909	\$17,026,878

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

	Balance 6/30/01	Additions	Deductions	Balance 6/30/02
Furniture, fixtures, and equipment	\$109,267	\$11,519		\$120,786
Accumulated depreciation	(79,088)	(5,221)		(84,309)
Total	\$30,179	\$6,298		\$36,477

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100 Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$93,556, \$98,455, and \$97,986, respectively; 37 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$58,764 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$388,065, \$373,544, and \$354,745, respectively; 77 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$88,584 represents the unpaid contribution for fiscal year 2002, and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

of June 30, 2002, three of the five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**10. POSTEMPLOYMENT BENEFITS**

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

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

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2001, the allocation rate is 9.80 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 million.

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

The portion of your School District's contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .70, then adding the surcharge due as of June 30, 2001, as certified to your School District by SERS.

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

**11. OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

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

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

At June 30, 2002 the current amount of unpaid compensated absences and the balance of the liability in the General Long-Term Obligation Account Group was \$930,245.

**12. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2002, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
General Obligation Bonds	\$2,430,000		\$65,000	\$2,365,000
Capital Appreciation Bonds	57,461	\$15,890		73,351
Employee Benefit Obligations	927,629	2,616		930,245
SERS and SERS Surcharge	48,232	4,257		52,489
Total	<u>\$3,463,322</u>	<u>22,763</u>	<u>65,000</u>	<u>3,421,085</u>

The scheduled payments of principal and interest on the general obligation bonds as of June 30, 2002 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2003	\$54,110	\$128,078	\$182,188
2004	59,110	124,705	183,815
2005	64,110	121,023	185,133
2006	69,110	117,020	186,130
2007	74,110	112,687	186,797
Thereafter	2,117,801	1,060,043	3,177,844
Total	<u>\$2,438,351</u>	<u>\$1,663,556</u>	<u>\$4,101,907</u>

The School District passed a levy issue on the November 1999 ballot for the issuance of bond to cover its share of construction on the new elementary building. The bonds consisted of \$2,440,000 of General Obligation bonds and \$41,571 of Capital Appreciation General Obligation Bonds.

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

Bonds were issued in February 2001 for a twenty-two year period with final maturity on December 1, 2022.

**13. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains three Enterprise Funds, which provide lunchroom/cafeteria, uniform school supply, and vocational education services. Segment information for the year ended June 30, 2002 was as follows:

	Food Service	Uniform School Supply	Vocational Education	Total Enterprise Funds
Operating Revenues	\$247,684	\$48,911		\$296,595
Depreciation	5,221			5,221
Operating Income (Loss)	(113,528)	2,264	(530)	(111,794)
Commodities	36,926			36,926
Interest	1,202			1,202
Operating Grants	59,105			59,105
Other Non-Operating Revenue	2,325			2,325
Net Income (Loss)	(13,970)	2,264	(530)	(12,236)
Working Capital	11,425	30,853	10	42,288
Total Assets	98,584	32,138	10	130,732
Total Liabilities	50,682	1,285		51,967
Total Equity	47,902	30,853	10	78,765

**14. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$45,006. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (the Council) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, and Williams Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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(Continued)**

Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Career Center**

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

**15. RISK MANAGEMENT**

**A. Comprehensive**

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

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

**B. Employee Insurance Benefits Program**

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

**C. Workers' Compensation Group Program**

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

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a



**CENTRAL LOCAL SCHOOL DISTRICT  
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centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premium, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**16. GROUP PURCHASING POOLS**

**A. NBEC Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$707,429. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$922 to the WCGRP to cover the costs of administering the program.

**17. STATE SCHOOL FUNDING DECISION**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**18. INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2002 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General	\$606	
Special Revenue		\$606
Total All Funds	\$606	\$606

**CENTRAL LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

**19. CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the School District had the following contractual purchase commitments:

<u>Company</u>	<u>Amount Remaining</u>
Mel Lanzer Co.	\$181,026
Fort Defiance Construction and Supply, Inc.	101,852
Arco, Inc.	91,389
Armor Fire Protection, Inc.	19,906
L. R. Babcock, Inc.	13,943
Fitzenrider, Inc.	66,280
Laux-Arnold dba LA Electric	64,482
	<u>\$538,878</u>

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

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2001	\$38,171		\$29,897
Current Year Set-aside Requirement	143,219	\$143,219	
Current Year Offsets		(83,072)	(29,897)
Qualifying Disbursements	(174,737)	(60,147)	
Cash Balance Carried Forward to FY 2003	<u>\$6,653</u>		
Total Restricted Assets	<u>6,653</u>		



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

We have audited the financial statements of Central Local School District, Defiance County, (the School District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated December 13, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 13, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

December 13, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
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**CENTRAL LOCAL SCHOOL DISTRICT**

**DEFIANCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 9, 2003**