



Dave Yost • Auditor of State



**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

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# Dave Yost • 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, each 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, 2012, 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.

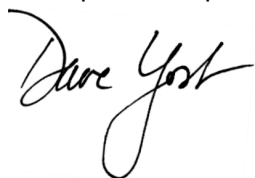
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Central Local School District, Defiance County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General and Classroom Facilities Maintenance Funds thereof for the year then ended in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2012, 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.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

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

**Dave Yost**  
Auditor of State

August 13, 2012

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
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, 2012. 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 2012 are as follows:

Net assets increased \$145,894.

General receipts accounted for \$11,660,691, or 85 percent of all receipts. Program specific receipts in the form of charges for services and operating grants and contributions accounted for \$2,098,599, or 15 percent of total receipts of \$13,759,290.

The General Fund, the District's largest major governmental fund, had \$10,221,873 in receipts and other financing sources and \$10,537,004 in disbursements. The General Fund's balance decreased \$315,131 from the prior fiscal year.

The Classroom Facilities Maintenance Fund, a major governmental fund had \$84,746 in receipts and \$56,555 in disbursements. The Classroom Facilities Maintenance Fund's balance increased \$28,191 from the prior fiscal year.

The Bond Retirement Fund, a major governmental fund had \$1,879,809 in receipts and other financing sources and \$1,856,185 in disbursements. The Bond Retirement Fund's balance increased \$23,624 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, the Special Revenue Classroom Facilities Maintenance Fund, and the Debt Service Bond Retirement Fund are the most significant funds.

**Reporting the District as a Whole**

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

The statement of net assets and the statement of activities, both reported on the cash basis, reflect how the District did financially during fiscal year 2012. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

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.

In the cash basis statement of net assets and the statement of activities, the District discloses a single type of activity, its governmental activities, which includes 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 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 funds. 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 funds are the General Fund, Debt Service Bond Retirement Fund and the Special Revenue Classroom Facilities Maintenance Fund. While the District uses many funds to account for its financial transactions, these funds are the most significant.

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 yearend for spending in future periods. These funds are reported using the cash basis of accounting. 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.

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 cash basis of accounting.

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2012 compared to fiscal year 2011.

<b>Table 1</b>		
<b>Net Assets</b>		
<b>Governmental Activities</b>		
	<b>2012</b>	<b>2011</b>
<b><u>Assets:</u></b>		
Cash and Cash Equivalents	\$3,591,537	\$3,445,643
<b><u>Net Assets:</u></b>		
Restricted	1,028,153	1,240,099
Unrestricted	2,563,384	2,205,544
Total	\$3,591,537	\$3,445,643



**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

Table 2 reflects the changes in net assets for fiscal year 2012 compared to fiscal year 2011.

<b>Table 2</b>		
<b>Change in Net Assets</b>		
<b>Governmental Activities</b>		
	<b>2012</b>	<b>2011</b>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$902,678	\$1,018,085
Operating Grants, Contributions and Interest	1,195,921	1,661,066
Total Program Revenues	2,098,599	2,679,151
General Revenues:		
Property Taxes	2,759,705	2,591,983
Income Taxes	812,134	765,548
Grants and Entitlements	6,327,130	5,753,393
Gifts and Donations	37,465	41,330
Investment Earnings	7,862	20,558
Miscellaneous	21,716	30,422
Insurance Recoveries	22,617	11,953
Refund of Prior Year Expenditures		241
Refunding Bonds Issued	1,530,000	
Premium on Refunding Bonds Issued	93,226	
Premium and Accrued Interest Received	44,706	
Proceeds from Sale of Capital Assets	4,130	
Total General Revenues	11,660,691	9,215,428
Total Revenues	13,759,290	11,894,579
<b><u>Expenses:</u></b>		
Instruction	6,639,976	6,354,744
Support Services:		
Pupils	568,192	557,173
Instructional Staff	202,320	207,873
Board of Education	35,908	29,595
Administration	1,023,054	995,463
Fiscal	301,880	273,776
Business	65,911	49,979
Operation and Maintenance of Plant	755,233	755,099
Pupil Transportation	928,439	881,639
Central	225,764	233,488
Non-Instructional	460,294	468,559
Extracurricular Activities	470,886	517,474
Capital Outlay	84,423	46,894
Principal	1,675,000	110,000
Issuance Costs	60,886	
Interest and Fiscal Charges	115,230	92,273
Total Expenses	13,613,396	11,574,029
Change in Net Assets	\$145,894	\$320,550

Total revenues increased by \$1,864,711 or 15.7 percent and total expenditures increased by \$2,039,367 or 17.6 percent, primarily due to the refunding of bonds.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

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**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
Instruction	\$6,639,976	\$5,223,012	\$6,354,744	\$4,463,903
Support Services:				
Pupils	568,192	568,192	557,173	557,173
Instructional Staff	202,320	202,320	207,873	190,792
Board of Education	35,908	35,908	29,595	29,595
Administration	1,023,054	979,367	995,463	946,521
Fiscal	301,880	301,880	273,776	273,776
Business	65,911	65,911	49,979	49,979
Operation and Maintenance of Plant	755,233	755,233	755,099	755,099
Pupil Transportation	928,439	928,439	881,639	851,639
Central	225,764	188,997	233,488	224,630
Non-Instructional	460,294	(8,175)	468,559	(16,632)
Extracurricular Activities	470,886	338,174	517,474	319,236
Capital Outlay	84,423	84,423	46,894	46,894
Principal	1,675,000	1,675,000	110,000	110,000
Issuance Costs	60,886	60,886		
Interest and Fiscal Charges	115,230	115,230	92,273	92,273
Total Expenses	<u>\$13,613,396</u>	<u>\$11,514,797</u>	<u>\$11,574,029</u>	<u>\$8,894,878</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 78 percent of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general receipts is 85 percent. The remaining 15 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 cash basis of accounting. The District's major governmental funds are the General Fund, Special Revenue Classroom Facilities Maintenance Fund, and the Debt Service Bond Retirement Fund. Total governmental funds had receipts and other financing sources of \$13,759,290 and disbursements of \$13,613,396. The net positive change of \$145,894 in fund balance for the year indicates that the District has been able to meet 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 2012, the District amended its General Fund budget as needed.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

General Fund final disbursements and other financing uses were budgeted at \$12,118,614 while actual were \$10,632,016. The \$1,486,598 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected disbursements arise during the fiscal year.

**Debt Administration**

Debt

At June 30, 2012, the District had \$1,642,251 in school improvement general obligation bonds for building improvements.

At June 30, 2012, the District's overall legal debt margin was \$9,416,728, with an un-voted debt margin of \$122,878.

**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. 37 percent of District revenue sources is from local funds, 55 percent is from state funds, and the remaining 8 percent is from federal funds. The total expenditure per pupil was calculated at \$8,600.

In March 2012, the District passed a renewal of 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 DeRolph court case and 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 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.

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**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Net Assets - Cash Basis  
June 30, 2012**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u><u>3,591,537</u></u>
<b>Net Assets:</b>	
Restricted for Debt Service	155,785
Restricted for Other Purposes	872,368
Unrestricted	<u>2,563,384</u>
Total Net Assets	\$ <u><u>3,591,537</u></u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2012**

	<b>Program Cash Receipts</b>			<b>Net (Disbursements) Receipts and Changes in Net Assets</b>
<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 4,512,225	\$ 468,288	\$ 393,669	\$ (3,650,268)
Special	1,131,011		515,106	(615,905)
Vocational	234,453		39,901	(194,552)
Adult/Continuing	21,374			(21,374)
Student Intervention Services	147,108			(147,108)
Other	593,805			(593,805)
Support Services:				
Pupils	568,192			(568,192)
Instructional Staff	202,320			(202,320)
Board of Education	35,908			(35,908)
Administration	1,023,054	43,687		(979,367)
Fiscal	301,880			(301,880)
Business	65,911			(65,911)
Operation and Maintenance of Plant	755,233			(755,233)
Pupil Transportation	928,439			(928,439)
Central	225,764		36,767	(188,997)
Operation of Non-Instructional Services	460,294	257,991	210,478	8,175
Extracurricular Activities	470,886	132,712		(338,174)
Capital Outlay	84,423			(84,423)
Debt Service:				
Principal	1,675,000			(1,675,000)
Issuance Costs	60,886			(60,886)
Interest and Fiscal Charges	115,230			(115,230)
<b>Totals</b>	<b>\$ 13,613,396</b>	<b>\$ 902,678</b>	<b>\$ 1,195,921</b>	<b>(11,514,797)</b>

**General Receipts:**

Taxes:		
Property Taxes, Levied for General Purposes	2,538,255	
Property Taxes, Levied for Debt Service	181,084	
Property Taxes, Levied for Other	40,366	
Income Taxes	812,134	
Grants and Entitlements not Restricted to Specific Programs	6,327,130	
Gifts and Donations	37,465	
Investment Earnings	7,862	
Miscellaneous	21,716	
Refunding Bonds Issued	1,530,000	
Premium on Refunding Bonds Issued	93,226	
Premium and Accrued Interest Received on Other Debt	44,706	
Proceeds from Sale of Capital Assets	4,130	
Insurance Recoveries	22,617	
<b>Total General Receipts</b>	<b>11,660,691</b>	
Change in Net Assets	145,894	
Net Assets Beginning of Year	3,445,643	
<b>Net Assets End of Year</b>	<b>\$ 3,591,537</b>	

See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2012**

	<u>General Fund</u>	<u>Classroom Facilities Maintenance Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,621,777	\$ 491,458	\$ 155,785	\$ 202,400	\$ 3,471,420
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	120,117				120,117
Total Assets	<u>\$ 2,741,894</u>	<u>\$ 491,458</u>	<u>\$ 155,785</u>	<u>\$ 202,400</u>	<u>\$ 3,591,537</u>
<b>Fund Balances:</b>					
Restricted	120,117	491,458	155,785	226,663	994,023
Assigned	309,061				309,061
Unassigned (Deficit)	2,312,716			(24,263)	2,288,453
Total Fund Balances	<u>\$ 2,741,894</u>	<u>\$ 491,458</u>	<u>\$ 155,785</u>	<u>\$ 202,400</u>	<u>\$ 3,591,537</u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Classroom Facilities Maintenance Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 2,538,255	\$ 40,366	\$ 181,084		\$ 2,759,705
Income Tax	812,134				812,134
Intergovernmental	6,291,896	44,342	30,793	\$ 1,156,020	7,523,051
Interest	7,086	38		738	7,862
Tuition and Fees	466,352				466,352
Rent	494				494
Extracurricular Activities	43,687			124,508	168,195
Gifts and Donations	21,784			15,681	37,465
Customer Sales and Services	1,442			266,195	267,637
Miscellaneous	11,996			9,720	21,716
Total Cash Receipts	<u>10,195,126</u>	<u>84,746</u>	<u>211,877</u>	<u>1,572,862</u>	<u>12,064,611</u>
<b>Cash Disbursements:</b>					
Current:					
Instruction:					
Regular	4,464,323			47,902	4,512,225
Special	749,047			381,964	1,131,011
Vocational	234,453				234,453
Adult/Continuing	21,374				21,374
Student Intervention Services	147,108				147,108
Other	593,805				593,805
Support Services:					
Pupils	568,192				568,192
Instructional Staff	202,320				202,320
Board of Education	35,908				35,908
Administration	1,023,054				1,023,054
Fiscal	295,680	1,131	5,069		301,880
Business	65,911				65,911
Operation and Maintenance of Plant	755,233				755,233
Pupil Transportation	846,010			82,429	928,439
Central	209,111			16,653	225,764
Operation of Non-Instructional Services		190		460,104	460,294
Extracurricular Activities	296,286			174,600	470,886
Capital Outlay	29,189	55,234			84,423
Debt Service:					
Principal			1,675,000		1,675,000
Issuance Costs			60,886		60,886
Interest			115,230		115,230
Total Cash Disbursements	<u>10,537,004</u>	<u>56,555</u>	<u>1,856,185</u>	<u>1,163,652</u>	<u>13,613,396</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>(341,878)</u>	<u>28,191</u>	<u>(1,644,308)</u>	<u>409,210</u>	<u>(1,548,785)</u>
<b>Other Financing Sources:</b>					
Refund Bonds Issued			1,530,000		1,530,000
Premium on Refunding Bonds Issued			93,226		93,226
Premiums and Accrued Interest Received			44,706		44,706
Proceeds from Sale of Capital Assets	4,130				4,130
Insurance Recoveries	22,617				22,617
Total Other Financing Sources	<u>26,747</u>		<u>1,667,932</u>		<u>1,694,679</u>
Net Change in Fund Balances	(315,131)	28,191	23,624	409,210	145,894
Fund Balance (Deficit) at Beginning of Year (Restated)	3,057,025	463,267	132,161	(206,810)	3,445,643
Fund Balance at End of Year	<u>\$ 2,741,894</u>	<u>\$ 491,458</u>	<u>\$ 155,785</u>	<u>\$ 202,400</u>	<u>\$ 3,591,537</u>

See Accompanying Notes to the Basic Financial Statements



**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Receipts, Disbursements and Changes in Fund Balance  
Budget and Actual - Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 2,437,901	\$ 2,495,542	\$ 2,538,255	\$ 42,713
Income Tax	788,514	808,514	812,134	3,620
Intergovernmental	6,109,160	6,000,735	6,291,896	291,161
Interest	15,000	7,000	7,086	86
Tuition and Fees	448,000	448,000	416,918	(31,082)
Rent	1,000	475	494	19
Extracurricular	68,500	40,000		(40,000)
Gifts and Donations	22,700	21,000	200	(20,800)
Customer Sales and Services	1,650	1,400	293	(1,107)
Miscellaneous	12,150	12,000	5,187	(6,813)
<b>Total Receipts</b>	<u>9,904,575</u>	<u>9,834,666</u>	<u>10,072,463</u>	<u>237,797</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	4,632,785	4,600,510	4,422,873	177,637
Special	863,152	884,352	749,859	134,493
Vocational	204,648	317,307	236,660	80,647
Adult/Continuing	20,000	22,000	21,374	626
Student Intervention Services	148,030	160,697	147,108	13,589
Other	613,742	673,425	597,987	75,438
Support Services:				
Pupils	583,583	588,258	568,481	19,777
Instructional Staff	206,640	208,200	202,104	6,096
Board of Education	40,618	49,530	41,776	7,754
Administration	998,033	1,046,787	980,666	66,121
Fiscal	310,330	336,835	316,237	20,598
Business	65,904	91,816	74,936	16,880
Operation and Maintenance of Plant	837,284	855,637	774,421	81,216
Pupil Transportation	1,211,467	1,157,207	917,840	239,367
Central	229,947	236,199	213,292	22,907
Extracurricular Activities	303,929	316,042	299,278	16,764
Capital Outlay	19,400	81,590	67,124	14,466
<b>Total Disbursements</b>	<u>11,289,492</u>	<u>11,626,392</u>	<u>10,632,016</u>	<u>994,376</u>
<b>Excess of Disbursements Over Receipts</b>	<u>(1,384,917)</u>	<u>(1,791,726)</u>	<u>(559,553)</u>	<u>1,232,173</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	3,500	3,500	4,130	630
Insurance Recoveries			22,617	22,617
Refund of Prior Year Expenditures	500	500		(500)
Other Financing Uses	(685,000)	(492,222)		492,222
<b>Total Other Financing Sources (Uses)</b>	<u>(681,000)</u>	<u>(488,222)</u>	<u>26,747</u>	<u>514,969</u>
<b>Net Change in Fund Balances</b>	<u>(2,065,917)</u>	<u>(2,279,948)</u>	<u>(532,806)</u>	<u>1,747,142</u>
Fund Balance at Beginning of Year (Restated)	2,625,990	2,625,990	2,625,990	
Prior Year Encumbrances Appropriated	339,650	339,650	339,650	
<b>Fund Balance at End of Year</b>	<u>\$ 899,723</u>	<u>\$ 685,692</u>	<u>\$ 2,432,834</u>	<u>\$ 1,747,142</u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Receipts, Disbursements and Changes in Fund Balance  
Budget and Actual - Budget Basis  
Classroom Facilities Maintenance Fund  
For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 46,000	\$ 39,029	\$ 40,366	\$ 1,337
Intergovernmental	36,935	44,935	44,342	(593)
Interest	50	50	38	(12)
Total Receipts	<u>82,985</u>	<u>84,014</u>	<u>84,746</u>	<u>732</u>
<b>Disbursements:</b>				
Current:				
Support Services:				
Administration	2,000	2,000		2,000
Fiscal	1,500	1,500	1,131	369
Operation of Non-Instructional Services	3,350	3,350	1,100	2,250
Capital Outlay	66,810	85,810	80,538	5,272
Total Disbursements	<u>73,660</u>	<u>92,660</u>	<u>82,769</u>	<u>9,891</u>
Excess of Receipts Over/(Under) Disbursements	<u>9,325</u>	<u>(8,646)</u>	<u>1,977</u>	<u>10,623</u>
<b>Other Financing Uses:</b>				
Other Financing Uses	(50,000)	(30,000)		30,000
Net Change in Fund Balances	<u>(40,675)</u>	<u>(38,646)</u>	<u>1,977</u>	<u>40,623</u>
Fund Balance at Beginning of Year	437,606	437,606	437,606	
Prior Year Encumbrances Appropriated	25,661	25,661	25,661	
Fund Balance at End of Year	<u>\$ 422,592</u>	<u>\$ 424,621</u>	<u>\$ 465,244</u>	<u>\$ 40,623</u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
June 30, 2012**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,972</u>	\$ <u>53,870</u>
<b>Liabilities:</b>		
Current Liabilities:		
Undistributed Monies		\$ <u>53,870</u>
<b>Net Assets:</b>		
Held in Trust for Scholarships	\$ <u>4,972</u>	

See Accompanying Notes to the Basic Financial Statements

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Changes in Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2012**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$ <u>62</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>200</u>
Change in Net Assets	(138)
Net Assets Beginning of Year	<u>5,110</u>
Net Assets End of Year	<u>\$ <u>4,972</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, 2012**

**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 63 non-certified and 80 certified full-time teaching personnel who provide services to 1,183 students and other community members.

**A. Primary Government**

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.

**B. Component Units**

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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District, and are significant in amount to the District. The District does not have any component units.

**C. Jointly Governed Organizations and Purchasing Pools**

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 (NWOCA), the Northern Buckeye Education Council, the Four County Career Center, the Education Regional Services System, the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, the Northern Buckeye Health Plan/OHI, the Northern Buckeye Health Plan's Employee Insurance Benefits Program, and the Northern Buckeye Health Plan's Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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 financial 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.

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

**2. Fund Financial Statements**

During the fiscal 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 report more detailed information about the District. The focus of governmental financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental and fiduciary.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

**1. Governmental Funds**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The District's major governmental funds are the General Fund, the special revenue Classroom Facilities Maintenance Fund and the debt service Bond Retirement 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.

Classroom Facilities Maintenance Fund – This fund accounts for local (i.e. property tax money) and state resources used for maintenance of the District's elementary building facility.

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

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.

**2. Fiduciary Funds**

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, 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 fund accounts for college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

**C. Basis of Accounting**

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

The budgetary process is prescribed by provision of the Ohio Revised Code and entails the preparation of budgetary documents within established timetable. 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 legal level of budgetary control selected by the Board is at the fund, function, and object level for all funds.

Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the fiscal 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.

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations.

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



**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

**E. 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 2012, investments were limited to STAR Ohio.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2012. 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, 2012.

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 2012 amounted to \$7,086, of which \$1,431 was interest assigned from other District 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.

**F. Inventory**

The District reports disbursements for inventory when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**H. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

**J. Long-term Obligations**

These District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**K. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements.

**L. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**M. Net 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. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. There are no amounts restricted by enabling legislation.

**N. Fund Balance**

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**3. COMPLIANCE**

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and special revenue Classroom Facilities Maintenance Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

The following table summarizes the adjustments necessary to reconcile to cash basis statements to the budget basis statements for the General Fund and Classroom Facilities Maintenance Fund (major special revenue governmental fund):

<u>Net Change in Fund Balance</u>	<u>General Fund</u>	<u>Classroom Facilities Maintenance Fund</u>
Cash Basis	(\$315,131)	\$28,191
Outstanding Encumbrances	(206,805)	(26,214)
Perspective Difference:		
Activity of Funds Reclassified for Cash Basis Reporting Purposes	(10,870)	
Budgetary Basis	<u>(\$532,806)</u>	<u>\$1,977</u>

**5. 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;
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 by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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 training 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, \$1,325,430 of the District's bank balance of \$1,981,924 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.

Investments

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities Less than One Year</u>
STAR Ohio	<u>\$1,795,397</u>	<u>\$1,795,397</u>

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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 100 percent of the District's total investments.

**6. 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 2012 represent the collection of calendar year 2011 taxes. Real property taxes for 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2012 were levied after April 1, 2011, on the assessed values as of December 31, 2010, 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.

**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Tangible personal property tax revenues received in calendar year 2012 (other than public utility property) represent the collection of calendar year 2012 taxes levied against local and interchange 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 2010 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 2012 were levied after October 1, 2011 on the value as of December 31, 2011. 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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	<b>2011 Second- Half Collections</b>		<b>2012 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$96,771,210	90%	\$112,601,590	92%
Industrial/Commercial	2,979,460	3%	2,929,570	2%
Public Utility	7,164,470	7%	7,346,380	6%
Total Assessed Value	<u>\$106,915,140</u>	<u>100%</u>	<u>\$122,877,540</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$28.35		\$27.30	

**7. 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 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.

**8. 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.

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

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.

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	2,000,000
Products – Completed Operations Limit	2,000,000
Employee Benefits Liability:	
Each Offense	2,000,000
Aggregate Limit	3,000,000
Employer’s Liability and Stop Gap:	
Each Occurrence	2,000,000
Disease-Each Employee	2,000,000
Errors and Omissions Liability (\$1,000 deductible):	
Per Occurrence	2,000,000
Aggregate Limit	2,000,000
Auto Liability:	
Each Accident	1,000,000

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 participated 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 District pays monthly premiums 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.

Effective January 1, 2012, the Employee Insurance Benefits Program was removed from Northern Buckeye Education Council (NBEC) and merged with Optimal Health Initiative Consortium (OHI). The new name of the District’s local insurance group consortium is Northern Buckeye Health Plan, Northwest Division of OHI.



**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**C. Workers' Compensation Group Program**

The District participated 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. The District paid \$1,122 in premiums during the 2012 fiscal year.

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.

Effective January 1, 2012 the WCGRP was transferred to Northern Buckeye Health Plan, Northern Division of OHI (NBHP). The NBHP WCGRP is an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Health Plan and the participating members of the WCGRP. The Executive Director of the NBHP coordinates the management and administration of the program.

**9. 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), under Forms and Publications.

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 2011, 11.81 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.

**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

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, 2012, 2011 and 2010 were \$193,942, \$183,541, and \$129,878, respectively; 53 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**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).

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, 2012, 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 2011, 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.

**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$687,611, \$654,028, and \$630,075, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**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 Retirement System. As of June 30, 2012, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**10. 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 2011, 1.43 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 2012, 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, 2012, 2011, and 2010 were \$23,483, \$22,224, and \$59,438 respectively; 52 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.76 percent

**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010 was \$12,481, \$11,811 and \$10,716 , respectively; 52 percent has been contributed for fiscal year 2012 and 100 percent for fiscal year 2011 and 2010.

**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.

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 2012, 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, 2012, 2011, and 2010 were \$52,893, \$50,310, and \$48,467, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**11. 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.

**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**12. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2012, the following changes occurred in long-term obligations for the District:

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/12</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$1,555,000		\$1,555,000		
Refunding Bonds Series 2011		\$1,530,000		\$1,530,000	
General Obligation Capital Appreciation Bonds	216,361	15,890	120,000	112,251	\$112,251
<b>Total</b>	<u>\$1,771,361</u>	<u>\$1,545,890</u>	<u>\$1,675,000</u>	<u>\$1,642,251</u>	<u>\$112,251</u>

The scheduled payments of principal and interest on the general obligation bonds as of June 30, 2012 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$112,251	\$133,015	\$245,266
2014	140,000	50,300	190,300
2015	140,000	48,200	188,200
2016	140,000	45,050	185,050
2017	145,000	40,775	185,775
2018-2022	805,000	114,100	919,100
2023	160,000	3,200	168,200
Total	<u>\$1,642,251</u>	<u>\$434,640</u>	<u>\$2,076,891</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 2001 for a twenty-three year period with final maturity on December 1, 2022.

The Current Interest and Term bonds were paid off with the 2011 Refunding Bonds.

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:

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

**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

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%.

**Refunding Bonds – 2011**

Proceeds from the bonds were used for the purpose of refunding of general obligation bonds, dated November 1999, which were issued for the purpose of constructing on the new elementary building.

The refunding bonds were issued in November 2011. The bonds consisted of \$1,530,000 in current interest serial bonds.

The refunding bonds outstanding are general obligations of the District for which full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source payment is derived from a current tax levy.

The reacquisition price of the new debt of \$1,667,932 exceeded the net carrying amount of the old debt, including accrued interest, of \$1,599,706. This difference has been netted against the new debt. This refunding was undertaken to reduce the combined total debt service payments over the next 11 years by \$305,014 and resulted in an economic gain of \$7,340.

**13. FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**13. FUND BALANCE (Continued)**

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<b>Fund Balance</b>	<b>General</b>	<b>Classroom Maintenance</b>	<b>Bond Retirement</b>	<b>Other Governmental</b>	<b>Total Governmental Funds</b>
Restricted for:					
Capital Improvements	\$120,117				\$120,117
Regular Instruction				\$66,953	66,953
Special Instruction				297	297
Athletics				62,115	62,115
Food Service Operations				97,298	97,298
Facilities Maintenance		\$491,458			491,458
Debt Retirement			\$155,785		155,785
<b>Total Restricted</b>	<b>120,117</b>	<b>491,458</b>	<b>155,785</b>	<b>226,663</b>	<b>994,023</b>
Assigned for:					
Educational Activities	102,256				102,256
Unpaid Obligations	206,805				206,805
<b>Total Assigned</b>	<b>309,061</b>				<b>309,061</b>
Unassigned (Deficit)	2,312,716			(24,263)	2,288,453
<b>Total Fund Balance</b>	<b>\$2,741,894</b>	<b>\$491,458</b>	<b>\$155,785</b>	<b>\$202,400</b>	<b>\$3,591,537</b>

**14. 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 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. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011. Therefore, the June 30, 2011 textbook set aside balance was not carried forward to fiscal year 2012. The following cash basis information describes the change in the year-end set-aside amounts for capital acquisition.

**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**14. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)**

Disclosure of this information is required by State statute.

	<b>Capital Acquisition</b>
Set-aside Cash Balance as of June 30, 2011	\$10,384
Current Year Set-aside Requirement	204,651
Current Year Qualifying Expenditures	(46,145)
Current Year Offsets	(48,773)
Cash Balance Carried Forward to FY 2013	\$120,117
Total Restricted Assets	\$120,117

**15. 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 \$60,019. 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 (the Council) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, and Williams Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, 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; 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, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.



**CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

**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.

**E. Northern Buckeye Health Plan**

The Northern Buckeye Health Plan (NBHP) was established January 1, 2012 to foster cooperation among school districts located in Defiance, Fulton, Henry, and Williams Counties. NBHP is a member of Ohio Health Initiatives (OHI) and provides insurance services to its members. NBHP 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 Health Plan/OHI, Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, OH 45242.

**16. GROUP PURCHASING POOLS**

**A. Employee Insurance Benefits Program**

Effective January 1, 2012, the Employee Insurance Benefits Program was removed from Northern Buckeye Education Council (NBEC) and merged with Optimal Health Initiative Consortium (OHI). The new name of the District's local insurance group consortium is Northern Buckeye Health Plan, Northwest Division of OHI. Northern Buckeye Education Council no longer acts as fiscal agent for the insurance consortium.

For the period July 1, 2011 to December 31, 2011, the District contributed a total of \$569,212 to Northern Buckeye Education Council for all employee insurance plans. Financial information for the period July 1, 2011 through December 31, 2011 can be obtained from Robin Pfund, Treasurer, at 209 Nolan Parkway, Archbold, OH 43502.

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

**16. GROUP PURCHASING POOLS (Continued)**

For the period January 1, 2012 through December 31, 2012, the District contributed a total of \$586,796 to Northern Buckeye Health Plan, Northwest Division of OHI for all employee insurance plans. Financial information for the period January 1, 2012 through June 30, 2012 can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, OH 45242.

**B. 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 \$1,122 to the WCGRP to cover the costs of administering the program.

Effective January 1, 2012 the WCGRP was transferred to Northern Buckeye Health Plan, Northern Division of OHI (NBHP). The NBHP WCGRP is an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Health Plan and the participating members of the WCGRP. The Executive Director of the NBHP coordinates the management and administration of the program. For the year ended June 30, 2012, there were no payments made to NBHP WCGRP.

**17. 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, 2012.

**B. Litigation**

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

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**18. PRIOR PERIOD RESTATEMENT OF FUND BALANCES**

The beginning fund balances of the General Fund and nonmajor funds of the District have been restated to more accurately report fund balances as previously reported due to an accounting correction from a prior period as well as the effect of reporting the Bond Retirement Fund as a major fund for fiscal year 2012 which was previously reported as a nonmajor fund:

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Fund Balance at June 30, 2011	\$2,989,571	(\$7,195)
Restatement of fund balances due to correction	67,454	(67,454)
Major fund balance previously reported as nonmajor		(132,161)
Restated Fund Balance (Deficit) at June 30, 2011	\$3,057,025	(\$206,810)

**19. STUDENT ATTENDANCE DATA**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

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# Dave Yost • 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, each 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 13, 2012, wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### **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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated August 13, 2012.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



**Dave Yost**  
Auditor of State

August 13, 2012

**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2012**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2012-001**

**Noncompliance Citation**

**Ohio Revised Code, § 117.38**, provides each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Administrative Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles in the United States of America.

The District prepared its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District prepare its financial report in accordance with generally accepted accounting principles.

**Officials' Response:**

The District has determined that it is more cost effective to report financial results on a basis other than GAAP. The Board feels that the information contained in such statements is sufficient.

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**CENTRAL LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012**

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>
2011-001	Ohio Administrative Code § 117-2-03(B), for not preparing the annual financial report in accordance with generally accepted accounting principles (GAAP)	No	Not corrected – Repeated as Finding 2012-001 in this report.
2011-002	Ohio Revised Code § 5705.10, for negative fund balances	No	Partially corrected. Reducing this to a management letter comment.
2010-003	Material Weakness due to lack of monitoring of financial statements	No	Partially corrected. Reducing this to a management letter comment.
2011-004	34 CFR 80.20 (b)(7), not spending SFSF monies timely (i.e. within 30 days) as required	Yes	

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# Dave Yost • Auditor of State

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

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

We noted the Board amended its anti-harassment policy at its meeting on April 17, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

August 13, 2012

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# Dave Yost • 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  
OCTOBER 2, 2012**