



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Report of Independent Accountants | 1 |
| Combined Balance Sheet – All Fund Types and Account Groups | 4 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental and Similar Fiduciary Fund Types | 6 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Comparison (Non-GAAP Budgetary Basis) – All Governmental Fund Types | 8 |
| Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/ Fund Balances – All Proprietary and Similar Fiduciary Fund Types | 12 |
| Combined Statement of Cash Flows – All Proprietary and Similar Fiduciary Fund Types | 13 |
| Notes to the General-Purpose Financial Statements | 15 |
| Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 37 |
| Schedule of Findings | 39 |

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REPORT OF INDEPENDENT ACCOUNTANTS

Ayersville Local School District
Defiance County
28046 Watson Road
Defiance, Ohio 43512-8756

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Ayersville Local School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Ayersville Local School District, Defiance County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

January 14, 2002

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**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2001**

| | Governmental Fund Types | |
|---|--------------------------------|----------------------------|
| | General Fund | Special Revenue |
| ASSETS AND OTHER DEBITS | | |
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | \$372,407 | \$102,136 |
| Receivables: | | |
| Property and Other Local Taxes | 3,186,769 | 111,478 |
| Accounts | 24 | 71 |
| Intergovernmental | | |
| Due from Other Funds | 13,000 | |
| Prepaid Items | 5,027 | 1,108 |
| Materials and Supplies Inventory | 12,221 | 79 |
| Restricted Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | 51,148 | |
| Fixed Assets | | |
| Accumulated Depreciation | | |
| Other Debits: | | |
| Amounts to be Provided for the Retirement of Long Term Debt | | |
| Total Assets and Other Debits | \$3,640,596 | \$214,872 |
| LIABILITIES, FUND EQUITY AND OTHER CREDITS | | |
| Liabilities: | | |
| Accounts Payable | \$2,127 | \$3 |
| Accrued Wages and Benefits | 563,399 | 19,750 |
| Compensated Absences Payable | 31,819 | |
| Intergovernmental Payable | 90,642 | 3,567 |
| Deferred Revenue | 2,861,089 | 96,675 |
| Undistributed Monies | | |
| Due to Students | | |
| Due to Other Funds | | 13,000 |
| General Obligation Bonds Payable | | |
| Total Liabilities | 3,549,076 | 132,995 |
| Fund Equity and Other Credits: | | |
| Investment in General Fixed Assets | | |
| Retained Earnings: | | |
| Unreserved | | |
| Fund Balances: | | |
| Reserved for Encumbrances | 64,337 | 10,340 |
| Reserved for Inventory | 12,221 | 79 |
| Reserved for Contributions | | |
| Reserved for Property Taxes | 325,680 | 14,803 |
| Reserved for Prepaid Items | 5,027 | 1,108 |
| Reserved for Textbooks and Instructional Materials | 18,055 | |
| Reserved for Budget Stabilization | 19,583 | |
| Reserved for Bus Purchases | 13,510 | |
| Unreserved, Undesignated | (366,893) | 55,547 |
| Total Fund Equity and Other Credits | 91,520 | 81,877 |
| Total Liabilities, Fund Equity and Other Credits | \$3,640,596 | \$214,872 |

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

| Governmental Fund Types | | Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|-------------------------|------------------|-----------------------|----------------------|---------------------|-------------------------------|--------------------------|
| Debt Service | Capital Projects | Enterprise | Trust and Agency | General Fixed Asset | General Long-Term Obligations | |
| | \$107,451 | \$85,750 | \$60,658 | | | \$728,402 |
| | 132,916 | | | | | 3,431,163 95 |
| | | 1,196 | | | | 13,000 |
| | | 7,199 | | | | 7,331 |
| | | | | | | 19,499 |
| | | 75,479 | | \$5,434,812 | | 51,148 |
| | | (56,062) | | | | 5,510,291 (56,062) |
| | | | | | \$703,025 | 703,025 |
| | \$240,367 | \$113,562 | \$60,658 | \$5,434,812 | \$703,025 | \$10,407,892 |
| | \$5,946 | \$253 | \$85 | | | \$8,414 |
| | | 16,487 | | | | 599,636 |
| | | 9,986 | | | \$499,363 | 541,168 |
| | | 14,714 | | | 29,662 | 138,585 |
| | 116,698 | 3,664 | | | | 3,078,126 |
| | | | 20 | | | 20 |
| | | | 35,719 | | | 35,719 |
| | | | | | | 13,000 |
| | | | | | 174,000 | 174,000 |
| | 122,644 | 45,104 | 35,824 | | 703,025 | 4,588,668 |
| | | | | \$5,434,812 | | 5,434,812 |
| | | 68,458 | | | | 68,458 |
| | 7,483 | | | | | 82,160 |
| | | | | | | 12,300 |
| | | | 19,583 | | | 19,583 |
| | 16,218 | | | | | 356,701 |
| | | | | | | 6,135 |
| | | | | | | 18,055 |
| | | | | | | 19,583 |
| | | | | | | 13,510 |
| | 94,022 | | 5,251 | | | (212,073) |
| | 117,723 | 68,458 | 24,834 | 5,434,812 | | 5,819,224 |
| | \$240,367 | \$113,562 | \$60,658 | \$5,434,812 | \$703,025 | \$10,407,892 |

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

| | Governmental Fund Types | |
|--|--------------------------------|----------------------------|
| | General Fund | Special Revenue |
| Revenues: | | |
| Property and Other Local Taxes | \$2,723,903 | \$115,350 |
| Intergovernmental | 1,727,321 | 143,132 |
| Interest | 61,482 | 3,269 |
| Tuition and Fees | 511,732 | |
| Rent | 1,000 | 800 |
| Extracurricular Activities | | 90,886 |
| Gifts and Donations | 17 | 15,893 |
| Customer Services | 165 | |
| Miscellaneous | 18,922 | 29,624 |
| Total Revenues | 5,044,542 | 398,954 |
| Expenditures: | | |
| Instruction: | | |
| Regular | 2,709,720 | 89,837 |
| Special | 394,736 | 71,131 |
| Vocational | 255,566 | |
| Adult/Continuing | | |
| Other | 95,135 | |
| Support services: | | |
| Pupils | 162,735 | 29,275 |
| Instructional Staff | 166,031 | 6,137 |
| Board of Education | 19,947 | |
| Administration | 428,495 | 572 |
| Fiscal | 176,476 | 4,149 |
| Operation and Maintenance of Plant | 392,247 | |
| Pupil Transportation | 157,176 | |
| Central | 28,634 | |
| Non-Instructional Services | 630 | 98,710 |
| Extracurricular activities | 157,393 | 125,704 |
| Debt Service | | |
| Debt Service - Principal | | |
| Debt Service - Interest | | |
| Total Expenditures | 5,144,921 | 425,515 |
| Excess of Revenues Over (Under) Expenditures | (100,379) | (26,561) |
| Other Financing Sources and Uses | | |
| Operating Transfers In | | |
| Other Financing Sources | 8,737 | |
| Operating Transfers Out | (58,540) | |
| Total Other Financing Sources and Uses | (49,803) | |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (150,182) | (26,561) |
| Fund Balance at Beginning of Year | 243,292 | 108,452 |
| Decrease in Reserve for Inventory | (1,590) | (14) |
| Fund Balance at End of Year | \$91,520 | \$81,877 |

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

| Governmental Fund Types | | Fiduciary Fund Type | Totals (Memorandum Only) |
|-------------------------|---------------------|---------------------|---|
| Debt Service | Capital Projects | Expendable Trust | |
| \$1,767 | \$140,140 21,948 | | \$2,981,160 1,892,401 64,896 511,732 1,800 90,886 17,560 165 48,546 |
| | | \$145 | |
| | | 1,650 | |
| 1,767 | 162,088 | 1,795 | 5,609,146 |
| | 36,644 | | 2,836,201 465,867 255,566 95,135 |
| | 5,485 | | 192,010 177,653 19,947 429,067 183,101 524,657 157,176 28,634 99,340 283,297 |
| | 2,476 132,410 | | |
| | | 200 | |
| 48,000 12,307 | | | 48,000 12,307 |
| 60,307 | 177,015 | 200 | 5,807,958 |
| (58,540) | (14,927) | 1,595 | (198,812) |
| 58,540 | | | 58,540 8,737 (58,540) |
| 58,540 | | | 8,737 |
| | (14,927) | 1,595 | (190,075) |
| | 132,650 | 2,366 | 486,760 (1,604) |
| | \$117,723 | \$3,961 | \$295,081 |

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Year Ended June 30, 2001**

| | General Fund Type | | |
|--|---------------------------|------------------|--|
| | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| Revenues: | | | |
| Taxes | \$2,960,000 | \$2,640,885 | (\$319,115) |
| Intergovernmental | 2,124,852 | 1,728,271 | (396,581) |
| Interest | 61,482 | 61,482 | |
| Rent | 1,000 | 1,000 | |
| Gifts and Donations | 17 | 17 | |
| Payment in Lieu of Taxes | 8,737 | 8,737 | |
| Tuition and Fees | 9,620 | 511,732 | 502,112 |
| Extracurricular Activities | | | |
| Miscellaneous | 13,792 | 13,792 | |
| Total Revenues | 5,179,500 | 4,965,916 | (213,584) |
| Expenditures: | | | |
| Instruction: | | | |
| Regular | 2,661,957 | 2,727,401 | (65,444) |
| Special | 382,537 | 391,801 | (9,264) |
| Vocational | 255,554 | 254,036 | 1,518 |
| Adult/Continuing | 120 | | 120 |
| Other | 144,772 | 95,135 | 49,637 |
| Support Services: | | | |
| Pupils | 160,254 | 162,081 | (1,827) |
| Instructional Staff | 171,109 | 166,995 | 4,114 |
| Board of Education | 23,057 | 20,242 | 2,815 |
| Administration | 426,363 | 430,028 | (3,665) |
| Fiscal | 215,464 | 176,172 | 39,292 |
| Operation and Maintenance of Plant | 414,039 | 403,046 | 10,993 |
| Pupil Transportation | 138,902 | 160,805 | (21,903) |
| Central | 29,000 | 28,634 | 366 |
| Non-Instructional Services | 750 | 630 | 120 |
| Extracurricular Activities | 176,976 | 156,383 | 20,593 |
| Debt Service - Principal | | | |
| Debt Service - Interest | | | |
| Total Expenditures | 5,200,854 | 5,173,389 | 27,465 |
| Excess of Revenues Over (Under) Expenditures | (21,354) | (207,473) | (186,119) |
| Other Financing Sources and Uses: | | | |
| Operating Transfers In | | | |
| Other Financing Sources | | 5,550 | 5,550 |
| Advances In | | | |
| Operating Transfers Out | | (58,540) | (58,540) |
| Advances Out | | (13,000) | (13,000) |
| Total Other Financing Sources and Uses | | (65,990) | (65,990) |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (21,354) | (273,463) | (252,109) |
| Fund Balance, July 1 | 597,991 | 597,991 | |
| Prior Year Encumbrances Appropriated | 32,564 | 32,564 | |
| Fund Balance, June 30 | \$609,201 | \$357,092 | (\$252,109) |

| Special Revenue Fund Type | | | Debt Service Fund Type | | |
|---------------------------|-----------------|-----------------------------------|------------------------|-----------------|-----------------------------------|
| Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| \$127,800 | \$111,981 | (\$15,819) | \$60,299 | \$1,767 | (\$58,532) |
| 92,126 | 99,415 | 7,289 | | | |
| 1,700 | 3,269 | 1,569 | | | |
| 300 | 800 | 500 | | | |
| 5,000 | 15,893 | 10,893 | | | |
| 80,000 | 90,886 | 10,886 | | | |
| 15,013 | 29,563 | 14,550 | | | |
| <u>321,939</u> | <u>351,807</u> | <u>29,868</u> | <u>60,299</u> | <u>1,767</u> | <u>(58,532)</u> |
| 75,197 | 86,620 | (11,423) | | | |
| 72,510 | 55,935 | 16,575 | | | |
| 12,614 | 9,059 | 3,555 | | | |
| 5,582 | 2,875 | 2,707 | | | |
| 1,290 | 565 | 725 | | | |
| 6,162 | 4,140 | 2,022 | | | |
| 82,909 | 104,465 | (21,556) | | | |
| 127,246 | 132,970 | (5,724) | 48,000 | 48,000 | |
| | | | 14,299 | 12,307 | 1,992 |
| <u>383,510</u> | <u>396,629</u> | <u>(13,119)</u> | <u>62,299</u> | <u>60,307</u> | <u>1,992</u> |
| <u>(61,571)</u> | <u>(44,822)</u> | <u>16,749</u> | <u>(2,000)</u> | <u>(58,540)</u> | <u>(56,540)</u> |
| | | | | 58,540 | 58,540 |
| 13,000 | 13,000 | | | | |
| <u>13,000</u> | <u>13,000</u> | | | <u>58,540</u> | <u>58,540</u> |
| (48,571) | (31,822) | 16,749 | (2,000) | | 2,000 |
| 103,839 | 103,839 | | | | |
| 19,777 | 19,777 | | | | |
| <u>\$75,045</u> | <u>\$91,794</u> | <u>\$16,749</u> | <u>(\$2,000)</u> | | <u>\$2,000</u> |

(Continued)

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Year Ended June 30, 2001
(Continued)**

| | <u>Capital Projects Fund Type</u> | | |
|--|-----------------------------------|------------------------|--|
| | <u>Revised Budget</u> | <u>Actual</u> | <u>Variance: Favorable (Unfavorable)</u> |
| Revenues: | | | |
| Taxes | \$152,000 | \$137,979 | (\$14,021) |
| Intergovernmental | | 21,948 | 21,948 |
| Interest | | | |
| Rent | | | |
| Gifts and Donations | | | |
| Payment in Lieu of Taxes | | | |
| Tuition and Fees | | | |
| Extracurricular Activities | | | |
| Miscellaneous | | | |
| Total Revenues | <u>152,000</u> | <u>159,927</u> | <u>7,927</u> |
| Expenditures: | | | |
| Instruction: | | | |
| Regular | 33,829 | 36,644 | (2,815) |
| Special | | | |
| Vocational | | | |
| Adult/Continuing | | | |
| Other | | | |
| Support Services: | | | |
| Pupils | | 5,485 | (5,485) |
| Instructional Staff | | | |
| Board of Education | | | |
| Administration | | | |
| Fiscal | 2,500 | 2,476 | 24 |
| Operation and Maintenance of Plant | 104,549 | 141,604 | (37,055) |
| Pupil Transportation | | | |
| Central | | | |
| Non-Instructional Services | | | |
| Extracurricular Activities | | | |
| Debt Service - Principal | | | |
| Debt Service - Interest | | | |
| Total Expenditures | <u>140,878</u> | <u>186,209</u> | <u>(45,331)</u> |
| Excess of Revenues Over (Under) Expenditures | <u>11,122</u> | <u>(26,282)</u> | <u>(37,404)</u> |
| Other Financing Sources (Uses): | | | |
| Operating Transfers In | | | |
| Other Financing Sources | | | |
| Advances In | | | |
| Operating Transfers Out | | | |
| Advances Out | | | |
| Total Other Financing Sources and Uses | | | |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 11,122 | (26,282) | (37,404) |
| Fund Balance, July 1 | 111,758 | 111,758 | |
| Prior Year Encumbrances Appropriated | 8,545 | 8,545 | |
| Fund Balances, June 30 | <u>\$131,425</u> | <u>\$94,021</u> | <u>(\$37,404)</u> |

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

Totals (Memorandum Only)

| Revised Budget | Actual | Variance: Favorable (Unfavorable) |
|---------------------------|-------------------------|--|
| \$3,300,099 | \$2,892,612 | (\$407,487) |
| 2,216,978 | 1,849,634 | (367,344) |
| 63,182 | 64,751 | 1,569 |
| 1,300 | 1,800 | 500 |
| 5,017 | 15,910 | 10,893 |
| 8,737 | 8,737 | |
| 9,620 | 511,732 | 502,112 |
| 80,000 | 90,886 | 10,886 |
| 28,805 | 43,355 | 14,550 |
| <u>5,713,738</u> | <u>5,479,417</u> | <u>(234,321)</u> |
| 2,770,983 | 2,850,665 | (79,682) |
| 455,047 | 447,736 | 7,311 |
| 255,554 | 254,036 | 1,518 |
| 120 | | 120 |
| 144,772 | 95,135 | 49,637 |
| 172,868 | 176,625 | (3,757) |
| 176,691 | 169,870 | 6,821 |
| 23,057 | 20,242 | 2,815 |
| 427,653 | 430,593 | (2,940) |
| 224,126 | 182,788 | 41,338 |
| 518,588 | 544,650 | (26,062) |
| 138,902 | 160,805 | (21,903) |
| 29,000 | 28,634 | 366 |
| 83,659 | 105,095 | (21,436) |
| 304,222 | 289,353 | 14,869 |
| 48,000 | 48,000 | |
| 14,299 | 12,307 | 1,992 |
| <u>5,787,541</u> | <u>5,816,534</u> | <u>(28,993)</u> |
| <u>(73,803)</u> | <u>(337,117)</u> | <u>(263,314)</u> |
| | 58,540 | 58,540 |
| | 5,550 | 5,550 |
| 13,000 | 13,000 | |
| | (58,540) | (58,540) |
| | (13,000) | (13,000) |
| <u>13,000</u> | <u>5,550</u> | <u>(7,450)</u> |
| (60,803) | (331,567) | (270,764) |
| 813,588 | 813,588 | |
| 60,886 | 60,886 | |
| <u>\$813,671</u> | <u>\$542,907</u> | <u>(\$270,764)</u> |

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Fund Equity
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|--|----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Nonexpendable Trust</u> | |
| Operating Revenues: | | | |
| Charges for Services | \$255,310 | | \$255,310 |
| Interest | | \$1,060 | 1,060 |
| Classroom Materials and Fees | 69 | | 69 |
| Contributions and Donations | | 4,385 | 4,385 |
| | <u>255,379</u> | <u>5,445</u> | <u>260,824</u> |
| Total Operating Revenues | | | |
| | <u>255,379</u> | <u>5,445</u> | <u>260,824</u> |
| Operating Expenses | | | |
| Salaries | 99,199 | | 99,199 |
| Fringe Benefits | 24,101 | | 24,101 |
| Purchased Services | 2,887 | | 2,887 |
| Materials and Supplies | 9,436 | | 9,436 |
| Cost of Sales | 152,838 | | 152,838 |
| Depreciation | 2,373 | | 2,373 |
| Other Expenses | | 750 | 750 |
| | <u>290,834</u> | <u>750</u> | <u>291,584</u> |
| Total Operating Expenses | | | |
| | <u>290,834</u> | <u>750</u> | <u>291,584</u> |
| Operating Income (Loss) | <u>(35,455)</u> | <u>4,695</u> | <u>(30,760)</u> |
| Non-Operating Revenues and Expenses | | | |
| Interest | 1,733 | | 1,733 |
| Federal and State Subsidies | 78,184 | | 78,184 |
| Other Nonoperating Revenues | 2,941 | | 2,941 |
| | <u>82,858</u> | | <u>82,858</u> |
| Total Non-Operating Revenues and Expenses | | | |
| | <u>82,858</u> | | <u>82,858</u> |
| Net Income | 47,403 | 4,695 | 52,098 |
| Retained Earnings at Beginning of Year | <u>21,055</u> | <u>16,178</u> | <u>37,233</u> |
| Retained Earnings at End of Year | <u>\$68,458</u> | <u>\$20,873</u> | <u>\$89,331</u> |

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

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

| | Proprietary Fund Type | Fiduciary Fund Type | Totals (Memorandum Only) |
|---|--------------------------|------------------------|--------------------------------|
| | Enterprise | Nonexpendable Trust | |
| Cash flows from operating activities: | | | |
| Cash received from students | \$255,310 | | \$255,310 |
| Cash received from other operating sources | 292 | \$5,445 | 5,737 |
| Cash payments to suppliers for goods and services | (146,877) | | (146,877) |
| Cash payments for purchased services | (3,107) | | (3,107) |
| Cash payments to employees for services | (99,441) | | (99,441) |
| Cash payments for employee benefits | (27,358) | | (27,358) |
| Cash payments for other operating sources | | (750) | (750) |
| Net cash provided by operating activities | (21,181) | 4,695 | (16,486) |
| Cash flows from noncapital financing activities: | | | |
| Operating grants received | 62,338 | | 62,338 |
| Miscellaneous non-operating revenue | 4,674 | | 4,674 |
| Net cash provided by noncapital financing activities | 67,012 | | 67,012 |
| Net increase in cash and cash equivalents | 45,831 | 4,695 | 50,526 |
| Cash and cash equivalents, beginning of year | 39,919 | 16,178 | 56,097 |
| Cash and cash equivalents, end of year | \$85,750 | \$20,873 | \$106,623 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Operating income (loss) | (\$35,455) | \$4,695 | (\$30,760) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation | 2,373 | | 2,373 |
| Donated commodities revenue | 15,846 | | 15,846 |
| Decrease in accounts receivable | 223 | | 223 |
| Increase in fixed assets | (392) | | (392) |
| Increase in prepaid items | (294) | | (294) |
| Increase in inventory of supplies | (1,729) | | (1,729) |
| Increase in accounts payable | 253 | | 253 |
| Decrease in accrued wages | (2,046) | | (2,046) |
| Decrease in compensated absences payable | (3,062) | | (3,062) |
| Increase in intergovernmental payable | 1,580 | | 1,580 |
| Increase in deferred revenue | 1,522 | | 1,522 |
| Total adjustments | 14,274 | | 14,274 |
| Net cash provided by operating activities | (\$21,181) | \$4,695 | (\$16,486) |

(Continued)

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001
(Continued)**

Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2001:

| | |
|--|-------------------------------|
| Cash and Cash Equivalents - Trust and Agency Funds | \$60,658 |
| Less: Expendable Trust Funds | (3,961) |
| Less: Agency Funds | (35,824) |
| | <hr/> |
| Cash and Cash Equivalents - Nonexpendable Trust Funds | <u><u>\$20,873</u></u> |

The Food Service Fund consumed donated commodities with a value of of \$15,846.
The use of these commodities is reflected as an operating expense.

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

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001**

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Ayersville Local School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or Federal guidelines.

The District was established in 1938 through the consolidation of existing land areas and school districts. The District serves an area of approximately fifty-five square miles. It is located in Defiance County. The District is the 543rd largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by thirty-four classified employees, sixty-four certified teaching personnel, and four administrative employees who provide services to nine hundred twenty-one students and other community members. The District currently operates two instructional buildings and one bus garage.

The Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with organizations which are defined as jointly governed organizations, and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, the Northern Buckeye Education Council Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the general-purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

A. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Funds:

The funds through which most Board of Education functions are typically financed.

General Fund - The fund used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

Special Revenue Funds - The funds used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds - The funds used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

Capital Projects Funds - The funds used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Nonexpendable Trust Funds).

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

2. Fiduciary Funds

The funds used to account for assets not owned by the Board, but held for a separate entity.

Trust Funds - The funds used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These may include Expendable Trust Funds and Nonexpendable Trust Funds.

Agency Funds - The funds used to account for assets held by the District as an agent.

3. Proprietary Funds

The funds used to account for Board activities that are similar to business operations in the private sector.

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

4. Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function, and object level of expenditures, which are the legal levels of budgetary control.

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

4. By July 1, the annual appropriation measure for all funds is legally enacted by the Board of Education. After a public hearing is held the appropriation measure, by law, may not exceed the Certificate of Estimated Resources. The Certificate may be amended to include actual unencumbered balances at the June 30 fiscal year end or if projected increases or decreases in revenue are identified by the District during the year.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function, and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.
3. Although not part of the appropriated budget, the Drug Free Schools Grant, Preschool Disabilities Grant, Eisenhower Grant and Title VI-B special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types and expendable trust funds for the year ended June 30, 2001, follows:

| Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses | | | | |
|---|-------------|--------------------|-----------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Budget Basis | (\$273,463) | (\$31,822) | | (\$26,282) |
| Revenue Accruals | 81,813 | 34,147 | | 2,161 |
| Expenditure Accruals | (25,006) | (39,228) | | (4,235) |
| Encumbrances | 66,474 | 10,342 | | 13,429 |
| GAAP Basis | (\$150,182) | (\$26,561) | | (\$14,927) |

D. Encumbrances

The District is required to use the encumbrance method of accounting. 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. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 2001, investments were limited to STAR Ohio.

The District has invested funds in the State Treasurer Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund, Special Revenue Funds, Enterprise Funds, Expendable Trust Funds, and Nonexpendable Trust Funds during fiscal year 2001 amounted to \$61,482, \$3,269, \$1,733, \$145, and \$1,060, respectively.

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

F. Inventory

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

G. Property, Plant and Equipment

1. General Fixed Assets Account Group.

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250. No depreciation is recognized for assets in the General Fixed Assets Account Group.

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

Public Domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. The District does not have any infrastructure.

2. Proprietary Funds

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight-line basis over an estimated useful life of five to twenty years.

H. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for Proprietary Fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- School Bus Repurchase Reimbursement
- State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

- Educational Management Information Systems (EMIS)
- Chapter I / Title I
- Chapter II / Title VI
- Professional Development Grant
- Drug Free School Grant (Through Northwest Ohio Educational Service Center)
- Handicapped Preschool (Through Northwest Ohio Educational Service Center)
- Title VI-B Flow Through (Through Northwest Ohio Educational Service Center)
- Eisenhower Grant Fund (Through Northwest Ohio Educational Service Center)
- Title VI-R
- E-Rate
- Safe School Help Line
- Ohio Reads

Capital Projects Funds

- SchoolNet Plus/PRAISE
- OneNet
- Interactive Video Distance Learning

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

Reimbursable Grants

General Fund

Vocational Mileage Reimbursement (C. Perkins Grant)

Enterprise Fund

National School Lunch Program
Government Donated Commodities

I. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund receivables and interfund payables.

J. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District to create a reserve for textbooks and instructional materials, and budget stabilization. Restricted assets also include amounts restricted for the purchase of buses. See Note 14 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

K. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension obligations, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

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

N. Pass-Through Grants

The Eisenhower ,Handicapped Preschool, Title VI-B Flow Through and the Drug Free School Grant special revenue funds are pass-through grants in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24 "Accounting and Financial Reporting or Certain Grants and Other Financial Assistance" the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

O. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

P. Estimates

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

Q. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

At fiscal year end, the District had \$630 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

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

Deposits

At year end, the carrying amount of the District's deposits was \$419,252 and the bank balance was \$565,280. Of the bank balance:

1. \$100,000 was covered by Federal Depository Insurance; and
2. \$465,280 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments

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

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

The \$359,668 carrying value in the State Treasurer's Investment Pool (STAR Ohio) represents the fair value at June 30, 2001. Amounts in STAR Ohio can not be categorized for credit risk because no securities exist in physical or book entry form in the name of the District.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents | Investments |
|-------------------------|------------------------------|-------------|
| GASB Statement 9 | \$779,550 | |
| Cash with Fiscal Agents | (630) | |
| Investments: | | |
| Star Ohio | (359,668) | \$359,668 |
| GASB Statement 3 | \$419,252 | \$359,668 |

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

| | |
|------------------|---|
| Collection Dates | February and July of the current year |
| Lien Date | January 1 of the year preceding the collection year |
| Levy Date | April 1 of the year preceding the collection year |

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

| | |
|------------------|---|
| Collection Dates | April and September of the current year |
| Lien Date | December 31 of the current year |
| Levy Date | April 1 of the year preceding the collection year |

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

| | |
|------------------|--|
| Collection Dates | April and October of the current year |
| Lien Date | December 31 of the second year preceding the collection year |
| Levy Date | April 1 of the year preceding the collection year |

The County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September.

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2001. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2001.

The assessed values of properties upon which property tax revenues were based are as follows:

| | <u>Amount</u> |
|----------------------------------|---------------------|
| Residential/Industrial | \$48,185,620 |
| Commercial/Agricultural | 14,165,790 |
| Public Utility Real Property | 70,740 |
| Public Utility Personal Property | 5,046,960 |
| General Personal Property | <u>26,623,465</u> |
| Total Valuation | <u>\$94,092,575</u> |

NOTE 6 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts (student fees and billings for user charged services), and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

NOTE 7 - FIXED ASSETS

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

| Asset Category | Balance at 6/30/00 | Additions | Disposals | Balance at 6/30/01 |
|------------------------------------|-----------------------|----------------|---------------|-----------------------|
| Land and Improvements | \$276,638 | | | \$276,638 |
| Buildings and Improvements | 2,715,787 | \$327 | | 2,716,114 |
| Furniture, Fixtures, and Equipment | 1,545,617 | 156,144 | \$35,275 | 1,666,486 |
| Vehicles | 412,398 | 26,586 | 41,719 | 397,265 |
| Text and Library Books | 360,082 | 18,227 | | 378,309 |
| Total | <u>\$5,310,522</u> | <u>201,284</u> | <u>76,994</u> | <u>\$5,434,812</u> |

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

A summary of Enterprise Fund fixed assets follows:

| | Balance at June 30, 2001 |
|------------------------------------|-----------------------------|
| Furniture, Fixtures, and Equipment | \$75,479 |
| Less Accumulated Depreciation | (56,062) |
| Total | <u>\$19,417</u> |

NOTE 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 fully insured.

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

B. Employee Insurance Benefits Program

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

C. Workers' Compensation Group Program

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

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a 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 premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

NOTE 9 - PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The Current rate is 14 percent of the annual covered payroll. For fiscal year 2000, 9.79 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employees are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contribution for pension obligations to SERS for the fiscal years ending June 30, 2001, 2000, and 1999, were \$44,125; \$43,223 and \$41,813 respectively; 44.88 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$24,321, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by State Teacher Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contribution for pension obligations to STRS for the fiscal years ending June 30, 2001, 2000, and 1999, were \$179,220, \$174,702, \$163,527 respectively; 82.66 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2001, in the amount of \$31,077, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, two

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POST EMPLOYMENT BENEFITS

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

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

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

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients. Health care benefits are financed on a pay-as-you-go basis.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340 and the target level was \$211 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

For the District, the amount to fund postemployment benefits, including the surcharge equaled \$59,886 during the 2001 fiscal year.

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Up to three years' vacation time may be accumulated. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for both classified and certified employees. Upon retirement, payment is made for twenty-five percent of accrued plus three days if notice of retirement is received by the superintendent prior to April 1, to a maximum of fifty-three days.

At June 30, 2001, the current amount of unpaid compensated absences in all funds, except for the Proprietary funds, and the balance of the liability in the General Long-Term Obligations Account Group were \$31,819 and \$499,363, respectively. The liability for compensated absences in the proprietary funds at June 30, 2001, was \$9,986.

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2001 were as follows:

| | Balance at 7/1/00 | Additions | Disposals | Balance at 6/30/01 |
|------------------------------|----------------------|------------------|--------------------|-----------------------|
| General Obligation Bonds | \$222,000 | | (\$48,000) | 174,000 |
| Intergovernmental Payables | 36,474 | \$29,662 | (36,474) | 29,662 |
| Compensated Absences Payable | 465,586 | 499,363 | (465,586) | 499,363 |
| Total | <u>\$724,060</u> | <u>\$529,025</u> | <u>(\$550,060)</u> | <u>\$703,025</u> |

Compensated absences and intergovernmental payables will be paid from the fund from which the employees' salaries are paid.

The scheduled payments of principal and interest on the bonds outstanding as of June 30, 2001 (assuming an interest rate of 4.9% on \$30,000, and 5.43% on \$144,000) are as follows:

| For the years ending June 30 | Principal | Interest | Total |
|------------------------------|------------------|-----------------|------------------|
| 2002 | \$48,000 | \$10,272 | \$58,272 |
| 2003 | 18,000 | 6,354 | 24,354 |
| 2004 | 18,000 | 5,377 | 23,377 |
| 2005 | 18,000 | 4,400 | 22,400 |
| 2006 | 18,000 | 3,422 | 21,422 |
| 2007 - 2009 | 54,000 | 4,402 | 58,402 |
| Total | <u>\$174,000</u> | <u>\$34,227</u> | <u>\$208,227</u> |

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2001.

| | Lunchroom/ Cafeteria | Uniform School Supply | Total Enterprise Fund |
|--------------------------------|-------------------------|--------------------------|-----------------------------|
| Operating revenues | \$216,917 | \$38,462 | \$255,379 |
| Depreciation | 2,373 | | 2,373 |
| Operating Income (Loss) | (41,476) | 6,021 | (35,455) |
| Grants and Donated Commodities | 78,184 | | 78,184 |
| Interest | 1,733 | | 1,733 |
| Net income | 41,382 | 6,021 | 47,403 |
| Fixed Asset Additions | 392 | | 392 |
| Net working capital | 43,145 | 9,560 | 52,705 |
| Total assets | 104,002 | 9,560 | 113,562 |
| Total liabilities | 45,104 | | 45,104 |
| Total equity | 58,898 | 9,560 | 68,458 |

NOTE 14 - RESERVATIONS OF FUND BALANCE

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

The District also receives resources from the State of Ohio which are restricted by State law to the purchase of school buses. The balance of this allocation is also reflected as a reservation of fund balance in the General Fund at fiscal year end.

The changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2000 are as follows:

| | Textbooks | Capital Acquisition | Budget Stabilization | Totals |
|---|-----------------|------------------------|-------------------------|-----------------|
| Set-aside Cash Balance as of June 30, 2000 | \$233 | | \$19,583 | \$19,816 |
| Current Year Set-aside Requirement | 110,194 | \$110,194 | | 220,388 |
| Current Year Offsets | | (137,979) | | (137,979) |
| Qualifying Disbursements | (92,372) | | | (92,372) |
| Total | <u>\$18,055</u> | <u>(\$27,785)</u> | <u>\$19,583</u> | <u>\$9,853</u> |
| Cash Balance Carried Forward to FY 2002 | <u>\$18,055</u> | | <u>\$19,583</u> | <u>\$37,638</u> |

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

| | Totals |
|--|----------|
| Amount restricted for Budget Stabilization | \$19,583 |
| Amount restricted for Textbooks | 18,055 |
| Amount restricted for Bus Purchase | 13,510 |
| Total Restricted Assets | \$51,148 |

NOTE 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. Financial information can be obtained from Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities 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 educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

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

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

NOTE 16 - GROUP PURCHASING POOLS

A. Northern Buckeye Education Council's Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during fiscal years ending June 30, 2001 were \$392,870. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council's Worker's Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WGRP) was established through the Northern Buckeye Education Council (NBEC) as a group purchasing pool.

The WGRP's business and affairs are conducted by a three member board of directors consisting of two Assembly representatives for each of the counties of Defiance, Fulton, Henry, and Williams and the representative of the member serving as fiscal agent for NBEC. The Executive Director of the Council shall coordinate the management and administration of the program. Each year, the participating members pay an enrollment fee to WGRP to cover the costs of administering the program. The District paid \$766 for these services to NBEC in fiscal year 2001.

NOTE 17 - AGENCY FUNDS

| General-Purpose Statement of Changes in Assets and Liabilities For the Period Ending June 30, 2001 | | | |
|---|-----------------------|-----------|-----------------------|
| | Balance at 6/30/00 | Change | Balance at 6/30/01 |
| Assets | \$44,927 | (\$9,103) | \$35,824 |
| Liabilities | \$44,927 | (\$9,103) | \$35,824 |

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

NOTE 18 - INTERFUND TRANSACTIONS

Transfers between funds during the year ended June 30, 2001 were as follows:

| | Transfers In | Transfers Out |
|-------------------|-----------------|------------------|
| General Fund | | \$58,540 |
| Debt Service Fund | \$58,540 | |
| Total All Funds | \$58,540 | \$58,540 |

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

| | Due From Other Funds | Due To Other Funds |
|----------------------|-------------------------|-----------------------|
| General Fund | \$13,000 | |
| Special Revenue Fund | | \$13,000 |
| Total All Funds | \$13,000 | \$13,000 |

NOTE 19 - ACCOUNTABILITY

At June 30, 2001, the Management Information System Special Revenue Fund had deficit fund balances of \$1,025 which was created by the application of generally accepted accounting principles.

NOTE 20 - SCHOOL FUNDING DECISION

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

- A change in the districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to districts as a result of this change must be retroactive to July 2, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004, rather than in fiscal year 2006.

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio districts. However, as of January 14, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

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

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

NOTE 21 - COMPLIANCE

Ohio Revised Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. As of June 30, 2001, the District's expenditures exceeded appropriations in the following fund by the following amounts:

| Fund Type | Appropriations | Actual Expenditures | Variance |
|-------------------------------------|----------------|---------------------|------------|
| General | \$5,215,855 | \$5,228,979 | (\$13,124) |
| Special Revenue Funds: | | | |
| Public School Support | 6,955 | 8,441 | (1,486) |
| Natatorium Special Levy | 146,372 | 165,361 | (18,989) |
| Drama Club | 10,957 | 14,080 | (3,123) |
| Elementary Music | 815 | 1,040 | (225) |
| Sports | 103,514 | 104,340 | (826) |
| Management Information System | 7,300 | 8,105 | (805) |
| OneNet | 0 | 12,000 | (12,000) |
| Title VIR - Classroom Reduction | 0 | 1,690 | (1,690) |
| Capital Projects Funds: | | | |
| Permanent Improvement | 116,137 | 162,723 | (46,586) |
| Interactive Video Distance Learning | 140,878 | 192,901 | (52,023) |
| Enterprise Funds: | | | |
| Food Service | 214,013 | 244,754 | (30,741) |
| Uniform School Supplies | 28,246 | 32,274 | (4,028) |

Personal property tax and homestead and rollback receipts were not allocated to the appropriate funds as required by Ohio Revised Code § 5705.10.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Ayersville Local School District
Defiance County
28046 Watson Road
Defiance, Ohio 43512-8756

To the Board of Education:

We have audited the financial statements of Ayersville Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated January 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-10120-001 and 2001-10120-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 14, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-10120-003 and 2001-10120-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-10120-003 to be a material weakness. We also noted others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 14, 2002.

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

Jim Petro
Auditor of State

January 14, 2002

**AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2001**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2001-10120-001

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. As of June 30, 2001, the District's expenditures exceeded appropriations in the following fund by the following amounts:

| Fund Type | Appropriations | Actual Expenditures | Variance |
|-------------------------------------|----------------|---------------------|------------|
| General | \$5,215,855 | \$5,228,979 | (\$13,124) |
| Special Revenue Funds: | | | |
| Public School Support | 6,955 | 8,441 | (1,486) |
| Natatorium Special Levy | 146,372 | 165,361 | (18,989) |
| Drama Club | 10,957 | 14,080 | (3,123) |
| Elementary Music | 815 | 1,040 | (225) |
| Sports | 103,514 | 104,340 | (826) |
| Management Information System | 7,300 | 8,105 | (805) |
| OneNet | 0 | 12,000 | (12,000) |
| Title VIR - Classroom Reduction | 0 | 1,690 | (1,690) |
| Capital Projects Funds: | | | |
| Permanent Improvement | 116,137 | 162,723 | (46,586) |
| Interactive Video Distance Learning | 140,878 | 192,901 | (52,023) |
| Enterprise Funds: | | | |
| Food Service | 214,013 | 244,754 | (30,741) |
| Uniform School Supplies | 28,246 | 32,274 | (4,028) |

Allowing expenditures to exceed appropriations could result in deficit spending. The District should regularly monitor budgets to make ensure there is sufficient appropriations to fund anticipated expenditures.

FINDING NUMBER 2001-10120-002

Noncompliance Citation

Ohio Revised Code § 5705.10 states that all revenue derived from the general levy for current expense with in the ten-mill limitation, any general levy for current expense authorized by vote in excess of the ten-mill limitation, and sources other than the general property tax, unless its use for a particular purpose is prescribed by law, is required to be paid into the general fund. In addition, all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. In fiscal year 2001, the District's personal property exemption tax settlement for \$17,718 was improperly posted to the Bond Retirement Fund, however, it should have been allocated to the General Fund, the Natatorium Fund, and the Permanent Improvement Fund. In addition, a homestead and rollback payment was also misposted to the General Fund when \$4,124 and \$5,023, respectively, should have been posted to the Natatorium Fund and the Permanent Improvement Fund. The financial statements were adjusted to reflect these amounts.

**FINDING NUMBER 2001-10120-002
(Continued)**

Failure to properly report the revenue and the offsetting disbursement activity in the District's funds could cause management to draw incorrect conclusions regarding its fiscal position.

Financial activity should be properly reported in the accounting ledgers so that the Board can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process, the District should review its records to make sure that all amounts are properly reflected in the appropriate funds.

FINDING NUMBER 2001-10120-003

Material Weakness - Financial Reporting

Sound accounting practices require that there be a documented, systematic, and defined procedure to ensure that the cash basis financial statements of the District are adequately converted to a generally accepted accounting principles (GAAP) basis at year end.

It has been the responsibility of the Treasurer to prepare GAAP financial statements even though no documented procedures (e.g. a GAAP conversion plan) exist at the District to provide assurance that the GAAP financial statements are adequately prepared.

This has resulted in eighteen material misstatements in the GAAP accrual entries. This contributed to GAAP financial statements that were not correctly tabulated and were not accurately presented. It also resulted in additional auditing costs to determine the correcting adjustments so that the financial statements were fairly stated.

To improve the GAAP financial reporting process, we recommend the District obtain a written GAAP conversion plan that explains how the conversion process is to be done in a step by step manner. Furthermore, we recommend the Treasurer receive formal training in converting financial statements to a GAAP basis. It would be advisable to also retain the services of a consultant to provide the Treasurer with guidance and/or advisory services in doing the conversion.

The District may also want to explore the cost efficiency of obtaining the services of an independent public accountant to perform either a substantial portion of the GAAP conversion process or to perform the entire conversion itself.

FINDING NUMBER 2001-10120-004

Reportable Condition - Budgeted Receipts

The Board sets the annual budget for the District. Amounts of estimated receipts from this budget should be posted into the receipts records of the District and used by management to monitor financial operations.

The estimated receipts for fiscal year 2001 were not entered into the District's accounting system. This resulted in inaccurate budgetary reports which could make it difficult for the Board to make informed decisions regarding whether the District's actual receipts are sufficient to support appropriated disbursements.

The Treasurer should use the amounts of estimated receipts that were authorized by the Board. These amounts should be posted into the receipts ledgers included in the budgetary statements section of the annual financial report of the District. As part of the monitoring process, the District should then review its records to ensure that actual receipts are sufficient to support appropriated disbursements.



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OFFICE OF THE AUDITOR

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AYERSVILLE LOCAL SCHOOL DISTRICT

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 31, 2002**