



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Archbold Area Local School District
Fulton County
600 Lafayette Street
Archbold, Ohio 43502-1657

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Archbold Area Local School District, Fulton County, (the District) as of and for the year ended June 30, 2000, 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 generally accepted auditing standards 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 the District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2000 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

November 30, 2000

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,142,346	\$188,148	\$2,808	\$2,220
Investments			677,573	
Receivables:				
Taxes	5,474,262		1,314,070	
Accounts	2,712			
Intergovernmental	2,363			
Accrued Interest	9,091			
Materials and Supplies Inventory	8,433			
Prepaid Items	6,056			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	9,412			
Investments	258,538			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount in Debt Service Fund for Retirement of Provided from General Government Resources				
Total Assets and Other Debits	\$9,913,213	\$188,148	\$1,994,451	\$2,220

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$4,480	\$32,579			\$4,372,581
	46,083			723,656
				6,788,332
2,328				5,040
				2,363
	181			9,272
9,505				17,938
				6,056
				9,412
				258,538
159,271		\$23,588,819		23,748,090
(83,638)				(83,638)
			\$680,381	680,381
			15,292,664	15,292,664
<u>\$91,946</u>	<u>\$78,843</u>	<u>\$23,588,819</u>	<u>\$15,973,045</u>	<u>\$51,830,685</u>

(Continued)

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$128,126	\$16,107		
Accrued Wages and Benefits	753,754	349		
Compensated Absences Payable	7,420			
Due to Others				
Intergovernmental Payable	179,326			
Deferred Revenue	5,304,980		\$1,252,830	
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	6,373,606	16,456	1,252,830	
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	73,923	8,901		
Reserved for Inventory	8,433			
Reserved for Prepaid Items	6,056			
Reserved for Debt Service Principal			680,381	
Reserved for Property Taxes	169,282		61,240	
Reserved for Textbooks and Instructional Materials	45,512			
Reserved for Capital Improvements	40,761			
Reserved for Budget Stabilization	181,677			
Unreserved:				
Unreserved, Undesignated	3,013,963	162,791		\$2,220
Total Fund Equity and Other Credits	3,539,607	171,692	741,621	2,220
Total Liabilities, Fund Equity and Other Credits	\$9,913,213	\$188,148	\$1,994,451	\$2,220

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
	\$615			\$144,848
\$26,651				780,754
10,446			\$757,589	775,455
	4,030			4,030
5,529			78,780	263,635
6,219				6,564,029
	27,934			27,934
			15,136,676	15,136,676
<u>48,845</u>	<u>32,579</u>		<u>15,973,045</u>	<u>23,697,361</u>
		\$23,588,819		23,588,819
43,101				43,101
				82,824
				8,433
				6,056
				680,381
				230,522
				45,512
				40,761
				181,677
	46,264			3,225,238
43,101	46,264	23,588,819		28,133,324
<u>\$91,946</u>	<u>\$78,843</u>	<u>\$23,588,819</u>	<u>\$15,973,045</u>	<u>\$51,830,685</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$2,479,294	\$169,147
Interest	297,210	
Tuition and Fees	28,564	
Rent	10,135	
Extracurricular Activities		228,008
Gifts and Donations	760	
Property and Other Local Taxes	5,445,350	
Miscellaneous	1,193,486	
	9,454,799	397,155
Total Revenues		
Expenditures:		
Instruction:		
Regular	4,913,045	40,211
Special	503,675	104,147
Vocational	137,597	
Other	22,475	
Support services:		
Pupils	321,504	12,654
Instructional Staff	161,873	30,005
Board of Education	21,203	
Administration	651,974	2,135
Fiscal	231,014	
Operation and Maintenance of Plant	1,201,958	
Pupil Transportation	445,447	
Non-Instructional Services		
Extracurricular activities	204,001	241,002
Capital Outlay	30,086	
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
	8,845,852	430,154
Total Expenditures		
Excess of Revenues Over (Under) Expenditures	608,947	(32,999)
Other Financing Sources and Uses		
Proceeds from Sale of Fixed Assets	400	
Refund of Prior Year Expenditures	3,791	
Other Financing Sources		7,703
Operating Transfers Out	(12,983)	
	(8,792)	7,703
Total Other Financing Sources (Uses)		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	600,155	(25,296)
Fund Balance at Beginning of Year	2,939,452	196,988
Fund Balance at End of Year	\$3,539,607	\$171,692

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$107,911			\$2,756,352
	\$783	\$2,632	300,625
			28,564
			10,135
			228,008
			760
1,491,818			6,937,168
			1,193,486
<u>1,599,729</u>	<u>783</u>	<u>2,632</u>	<u>11,455,098</u>
	35,611		4,988,867
			607,822
			137,597
			22,475
			334,158
			191,878
			21,203
			654,109
32,334			263,348
			1,201,958
			445,447
		3,923	3,923
			445,003
	6,419		36,505
655,000			655,000
753,916			753,916
<u>1,441,250</u>	<u>42,030</u>	<u>3,923</u>	<u>10,763,209</u>
<u>158,479</u>	<u>(41,247)</u>	<u>(1,291)</u>	<u>691,889</u>
			400
			3,791
			7,703
			(12,983)
			(1,089)
158,479	(41,247)	(1,291)	690,800
583,142	43,467	47,555	3,810,604
<u>\$741,621</u>	<u>\$2,220</u>	<u>\$46,264</u>	<u>\$4,501,404</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$2,476,931	\$2,476,931	
Interest	289,094	291,679	\$2,585
Tuition and Fees	33,573	28,564	(5,009)
Rent	11,988	11,988	
Extracurricular Activities			
Gifts and Donations	760	760	
Property and Other Local Taxes	5,461,906	5,461,906	
Miscellaneous	1,193,487	1,193,487	
Total Revenues	9,467,739	9,465,315	(2,424)
Expenditures:			
Current:			
Instruction:			
Regular	5,205,081	4,998,085	206,996
Special	459,900	457,516	2,384
Vocational	168,250	136,611	31,639
Other	107,700	23,261	84,439
Support services:			
Pupils	359,451	329,880	29,571
Instructional Staff	187,586	164,715	22,871
Board of Education	34,068	21,655	12,413
Administration	695,845	666,471	29,374
Fiscal	247,523	232,194	15,329
Operation and Maintenance of Plant	1,610,523	1,341,347	269,176
Pupil Transportation	475,500	426,144	49,356
Central	25,000		25,000
Non-Instructional Services			
Extracurricular activities	264,000	206,901	57,099
Capital Outlay	36,000	30,086	5,914
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	9,876,427	9,034,866	841,561
Excess of Revenues Over (Under) Expenditures	(408,688)	430,449	839,137
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Fixed Assets	400	400	
Refund of Prior Year Expenditures	3,756	3,756	
Other Financing Sources			
Operating Transfers Out	(13,000)	(12,983)	17
Other Financing Uses	(200,000)		200,000
Total Other Financing Sources (Uses)	(208,844)	(8,827)	200,017
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(617,532)	421,622	1,039,154
Fund Balances at Beginning of Year	3,722,106	3,722,106	
Prior Year Encumbrances Appropriated	76,918	76,918	
Fund Balance at end of Year	\$3,181,492	\$4,220,646	\$1,039,154

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$172,456	\$172,456		\$107,911	\$107,911	
228,008	228,008		1,487,980	1,487,980	
<u>400,464</u>	<u>400,464</u>		<u>1,595,891</u>	<u>1,595,891</u>	
61,344	45,062	\$16,282			
108,713	104,079	4,634			
13,123	12,654	469			
41,255	39,488	1,767			
5,054	3,561	1,493	35,000	32,334	\$2,666
347,962	270,783	77,179			
			655,000	655,000	
			755,000	753,916	1,084
<u>577,451</u>	<u>475,627</u>	<u>101,824</u>	<u>1,445,000</u>	<u>1,441,250</u>	<u>3,750</u>
<u>(176,987)</u>	<u>(75,163)</u>	<u>101,824</u>	<u>150,891</u>	<u>154,641</u>	<u>3,750</u>
1,144	1,144				
7,703	7,703				
(1,144)	(1,144)				
<u>7,703</u>	<u>7,703</u>				
(169,284)	(67,460)	101,824	150,891	154,641	3,750
174,350	174,350		525,740	525,740	
44,327	44,327				
<u>\$49,393</u>	<u>\$151,217</u>	<u>\$101,824</u>	<u>\$676,631</u>	<u>\$680,381</u>	<u>\$3,750</u>

(Continued)

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental			
Interest	\$783	\$783	
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	783	783	
Expenditures:			
Current:			
Instruction:			
Regular	39,874	38,401	1,473
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	74,330	74,330	
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	114,204	112,731	1,473
Excess of Revenues Over (Under) Expenditures	(113,421)	(111,948)	1,473
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Other Financing Sources			
Operating Transfers Out			
Other Financing Uses			
Total Other Financing Sources (Uses)			
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(113,421)	(111,948)	1,473
Fund Balances at Beginning of Year	105,178	105,178	
Prior Year Encumbrances Appropriated	8,989	8,989	
Fund Balance at end of Year	\$746	\$2,219	\$1,473

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

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$2,604	\$2,604		\$2,757,298	\$2,757,298	
			292,481	295,066	\$2,585
			33,573	28,564	(5,009)
			11,988	11,988	
			228,008	228,008	
			760	760	
			6,949,886	6,949,886	
			1,193,487	1,193,487	
2,604	2,604		11,467,481	11,465,057	(2,424)
			5,306,299	5,081,548	224,751
			568,613	561,595	7,018
			168,250	136,611	31,639
			107,700	23,261	84,439
			372,574	342,534	30,040
			228,841	204,203	24,638
			34,068	21,655	12,413
			700,899	670,032	30,867
			282,523	264,528	17,995
			1,610,523	1,341,347	269,176
			475,500	426,144	49,356
			25,000	25,000	
10,000	3,923	\$6,077	10,000	3,923	6,077
			611,962	477,684	134,278
			110,330	104,416	5,914
			655,000	655,000	
			755,000	753,916	1,084
10,000	3,923	6,077	12,023,082	11,068,397	954,685
(7,396)	(1,319)	6,077	(555,601)	396,660	952,261
			1,144	1,144	
			400	400	
			3,756	3,756	
			7,703	7,703	
			(14,144)	(14,127)	17
			(200,000)		200,000
			(201,141)	(1,124)	200,017
(7,396)	(1,319)	6,077	(756,742)	395,536	1,152,278
47,401	47,401		4,574,775	4,574,775	
			130,234	130,234	
\$40,005	\$46,082	\$6,077	\$3,948,267	\$5,100,545	\$1,152,278

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$274,551
Operating Expenses	
Salaries	140,738
Fringe Benefits	47,204
Purchased Services	8,319
Materials and Supplies	189,717
Depreciation	11,350
Total Operating Expenses	397,328
Operating Income	(122,777)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	40,150
Interest	278
Federal and State Subsidies	55,319
Loss on Sale of Fixed Assets	(162)
Total Non-Operating Revenues and Expenses	95,585
Loss Before Operating Transfers	(27,192)
Operating Transfers-In	12,983
Net Loss	(14,209)
Retained Earnings at Beginning of Year	57,310
Retained Earnings at End of Year	\$43,101

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF CASH FLOW
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type
	Enterprise
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities:	
Cash Received from Sales	\$275,477
Cash Payments to Suppliers for Goods and Service	(151,579)
Cash Payments for Contract Services	(8,319)
Cash Payments for Employee Services	(132,625)
Cash Payments for Employee Benefits	(66,832)
	<u>(83,878)</u>
Net Cash Used by Operating Activities	<u>(83,878)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	61,656
Transfers In	12,983
	<u>74,639</u>
Net Cash Provided by Noncapital Financing Activities	<u>74,639</u>
Cash Flows from Investing Activities:	
Interest Received	278
	<u>278</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(2,197)
	<u>(2,197)</u>
Net Decrease in Cash and Cash Equivalents	(11,158)
Cash and Cash Equivalents at Beginning of Year	15,638
	<u>15,638</u>
Cash and Cash Equivalents at End of Year	<u>\$4,480</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	(\$122,777)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	11,350
Donated Commodities Used During the Year	40,150
(Increase) Decrease in Assets:	
Accounts Receivable	926
Material and Supplies Inventory	1,236
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	(3,234)
Intergovernmental Payable	(8,677)
Deferred Revenue	(3,223)
Accrued Wages and Benefits	396
Accounts Payable	(25)
	<u>(25)</u>
Net Cash Used by Operating Activities	<u>(\$83,878)</u>

The Food Service Fund consumed donated commodities with a value of \$40,150. 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.

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**ARCHBOLD AREA LOCAL SCHOOL
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Archbold Area Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Archbold Area Local School District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's three instructional/support facilities.

The Reporting Entity

The District has implemented the Government Accounting Standards Board (GASB) pronouncements concerning the definition of the reporting entity. Accordingly, the District's balance sheet includes all funds and account groups over which the District officials exercise oversight responsibility.

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by District full faith and credit or revenues, and responsibility for funding deficits. On this basis, there were no organizations subject to the District's oversight responsibility, which required incorporation into the financial statements.

The District is associated with organizations, which are defined as jointly governed organizations, a related organization and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center (formerly known as the Four County Joint Vocational School), the Archbold Community Library, the Northern Buckeye Education Council's Employee Insurance Benefit Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13, 14, and 15 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The modified accrual basis of accounting is followed for governmental, expendable trust, and agency funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a. Revenue accrued at the end of the year included: taxes, interest, student fees, and tuition.

**ARCHBOLD AREA LOCAL SCHOOL
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

- b. Property taxes measurable but not available as of June 30, 2000 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.

- 4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity.

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements.

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 capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - 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.

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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).

2. Proprietary Funds

The funds used to account for Board activities that are similar to business operations in the private sector. Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

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.

3. 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 include expendable trust funds.

Agency Funds - The funds used to account for assets held by the District as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

General Fixed Assets Account Group - 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 Account Group - 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 Title VI-B Flow Thru Grant, Eisenhower Math-Science Grant, and Federal Preschool Grant special revenue funds pass through grants in which the Northwest Ohio Educational Service Center is the primary recipient. Budgetary information for these funds is included within the District's reporting entity for which the "appropriated budget" is adopted.

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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.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources.
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.

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, 2000 follows:

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Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$421,622	(\$67,460)	\$154,641	(\$111,948)	(\$1,319)
Revenue Accruals	(10,516)	(3,309)	3,838		28
Expenditure Accruals	(636)	8,585		70,701	
Other	35				
Encumbrances	189,650	36,928			
GAAP Basis	\$600,155	(\$25,296)	\$158,479	(\$41,247)	(\$1,291)

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

E. Pooled Cash and Investments

To improve cash management, 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's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to nonparticipating investment contracts, which are certificates of deposit, reported at cost.

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 following funds in fiscal year 2000, General fund \$297,210, which includes \$50,526 assigned from other funds, Permanent Improvements fund, \$783, Winzeler Trust fund, \$2,632 and Food Service fund, \$278.

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 has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

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(Continued)**

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 \$300. This is based primarily on the uniqueness of these items to a school operation. No depreciation is recognized for assets in the General Fixed Assets Account Group.

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 seven 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. Grants for proprietary fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Drug Free Grants
Title I
Title VI
Educational Management Information Systems (EMIS)
Teacher Development
SchoolNet Technology Training Grant
Title VI-B
Eisenhower Grant
Preschool Disability Grant

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Textbook/Instructional Materials Subsidy
Library Automation Systems Grant
E-Rate

Capital Projects Fund
SchoolNet

Reimbursable Grants

General Fund
Driver Education Reimbursement

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.

J. Restricted Assets

Restricted assets in the general fund represents investments, cash, and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for amounts required by statute to be set-aside by the District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

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, inventories of supplies and materials, prepaid items, debt service, property taxes, budget stabilization, textbook purchases, and capital acquisition.

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.

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L. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Totals (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.

M. Cash Flows

For the purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments with maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

N. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences." In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement.

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

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

O. Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For the other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligation Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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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.

3. 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 two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim 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 accounts including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or 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;
4. Bond and other obligations of the State of Ohio;

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5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 year end, the District had \$125 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."

Deposits

At year-end, the carrying amount of the District's deposits was \$5,364,062 and the bank balance was \$5,486,886. Of the bank balance, \$176,789 was covered by Federal Depository Insurance and \$5,310,097 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

The classification of cash and cash equivalents, and investments on the combined financial statements are 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 are as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$4,381,993	\$982,194
Investments	982,194	(982,194)
Cash on hand	(125)	
GASB Statement 3	\$5,364,062	

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4. 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% of appraised market value. Pertinent real property tax dates are:

Collection Dates	January 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% 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	January 1 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% of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July 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 Treasurers collect real estate property taxes on behalf of all taxing districts within the Counties of the District. The County Auditors periodically remit to the District its portion of the taxes collected with final settlement in March and September.

The County Treasurers collect personal property taxes on behalf of all taxing districts within the Counties of the District. The County Auditors periodically remit 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, 2000. 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, 2000.

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

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	Amount
Residential/Agricultural	\$87,196,200
Commercial/Industrial	39,425,430
Public Utility	67,307,420
General Personal Property	13,662,040
Total valuation	\$207,591,090

5. FIXED ASSETS

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

	Balance at 6/30/99	Additions	Disposals	Balance at 6/30/00
Land and land improvements	\$784,652			\$784,652
Buildings	19,100,811	\$100,385	\$51,423	19,149,773
Furniture and equipment	2,557,132	217,663	107,683	2,667,112
Text and library books	208,285	28,452	505	236,232
Vehicles	682,056	68,994		751,050
Total	\$23,332,936	\$415,494	\$159,611	\$23,588,819

A summary of Enterprise Fund fixed assets at June 30, 2000 follows:

	Balance at 6/30/00
Asset category	
Furniture and equipment	\$159,271
Less accumulated depreciation	(83,638)
Total	\$75,633

6. LONG-TERM OBLIGATIONS

During the year ended June 30, 2000 the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at June 30, 1999	Additions	Deductions	Balance at June 30, 2000
School facilities construction and improvement bonds				
Series 1992				
Current interest bonds	\$4,970,000		\$450,000	\$4,520,000
Capital appreciation bonds	1,373,619	146,080		1,519,699
Total Series 1992	6,343,619	146,080	450,000	6,039,699
Series 1996				
Current interest bonds	8,660,000		205,000	8,455,000
Capital appreciation bonds	576,678	65,299		641,977
Total Series 1996	9,236,678	65,299	205,000	9,096,977

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	Balance at June 30, 1999	Additions	Deductions	Balance at June 30, 2000
General obligation bonds	15,580,297	211,379	655,000	15,136,676
Intergovernmental payable	50,838	27,942		78,780
Compensated Absences Payable	699,510	58,079		757,589
Total	<u>\$16,330,645</u>	<u>\$297,400</u>	<u>\$655,000</u>	<u>\$15,973,045</u>

Debt outstanding at June 30, 2000 consisted of two separate school facilities construction and improvement bond issuances (Series 1992 and 1996).

The Series 1992 issuance consists of both current interest bonds, par value of \$5,850,000, and capital appreciation bonds, par value of \$2,165,000. The average interest rate on the current interest bonds is 4.25%. The capital appreciation bonds mature on December 1, 2003 (stated interest rate 21.0339%), 2004 (stated interest rate 19.8504%), 2005 (stated interest rate 18.8659%) & 2006 (stated interest rate 18.0378), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The value reported in the General Long-Term Obligations Account Group at June 30, 2000 was \$1,519,699. The annual accretion of interest is based on the straight line method. Total accreted interest of \$1,314,724 has been included in the value. The final maturity stated in the issue is December 1, 2011.

The Series 1996 issuance consists of both current interest bonds, par value of \$9,010,000, and capital appreciation bonds, par value of \$965,000. The average interest rate on the current interest bonds is 5.54%. The capital appreciation bonds mature on December 1, 2004 (stated interest rate 10.6%), 2005 (stated interest rate 10.125%), 2006 (stated interest rate 9.75%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The value reported in the General Long-Term Obligations Account Group at June 30, 2000 was \$641,977. The annual accretion of interest is based on the straight line method. Total accreted interest of \$261,196 has been included in the value. The final maturity stated in the issue is December 1, 2021.

Total expenditures for interest for the above debt for the period ended June 30, 2000 was \$753,916.

The scheduled payments of principal and interest on debt outstanding at June 30, 2000 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$690,000	\$722,150	\$1,412,150
2002	745,000	686,969	1,431,969
2003	815,000	647,624	1,462,624
2004	734,143	739,891	1,474,034
2005	620,653	855,584	1,476,237
thereafter	11,531,881	6,034,612	17,566,493
Total	<u>\$15,136,677</u>	<u>\$9,686,830</u>	<u>\$24,823,507</u>

7. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are

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entitled to vacation ranging from 5 to 20 Days. Employees with less than one year of service earn no vacation. Certain employees are permitted to carry over vacation leave if approved by the Superintendent.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 45 days.

At June 30, 2000, 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 Obligation Account Group was \$7,420 and \$757,589, respectively. The liability for compensated absences in the proprietary funds at June 30, 2000 were \$10,446.

8. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

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 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 employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$128,418, \$106,805, and \$79,486 respectively; 41 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$75,306 representing unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

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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. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by the STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$606,072, \$600,344, and \$476,424, respectively; 79 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$128,002 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

9. EARLY RETIREMENT INCENTIVE

Under the current negotiated agreement for certified employees, a teacher is eligible to receive double severance payment if he/she chooses to retire at either of the following two times, (1) 25 years of service credit and at least 55 years old; or (2) 30 years of service credit at any age. The option is only offered at those times. Teachers not choosing to exercise this option will receive the regular severance payment.

10. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 2000, the Board allocated employer contributions to equal eight percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$346,327 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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.

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$12,400. The surcharge, added to the

**ARCHBOLD AREA LOCAL SCHOOL
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expense. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS have approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$88,293 during the 2000 fiscal year.

11. 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 eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Worker's Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. 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.

**ARCHBOLD AREA LOCAL SCHOOL
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

12. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 2000 was as follows:

	Lunchroom/ Cafeteria	Uniform School Supplies	Total Enterprise Funds
Operating revenues	\$221,234	\$53,317	\$274,551
Depreciation	11,350		11,350
Operating income (loss)	(124,605)	1,828	(122,777)
Donated commodities	40,150		40,150
Grants	55,319		55,319
Interest	278		278
Operating transfers - in	10,000	2,983	12,983
Loss on sale of asset	(162)		(162)
Net income (loss)	(19,020)	4,811	(14,209)
Fixed asset additions	2,197		2,197
Fixed asset deletions	(3,344)		(3,334)
Net working capital	(40,306)	7,774	(32,532)
Total assets	84,172	7,774	91,946
Total liabilities	48,845		48,845
Total equity	35,327	7,774	43,101

13. 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, Lucas, Wood, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$22,817. 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. Total disbursements made by the District to NBEC for GAAP conversion services during this fiscal year were \$2,750. To obtain financial information

**ARCHBOLD AREA LOCAL SCHOOL
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

14. RELATED ORGANIZATION

Archbold Community Library

The Archbold Community Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Archbold Area Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires, and fires personnel, and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Archbold Community Library, Marilyn Freytag, Clerk/Treasurer, at 205 Stryker Street, Archbold, Ohio 43502.

15. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$617,664. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

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

**ARCHBOLD AREA LOCAL SCHOOL
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

During this fiscal year, the District paid an enrollment fee of \$1,017 to the WCGRP to cover the costs of administering the program.

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1999			\$104,136	
Current Year Set-aside Requirement	\$232,711	\$232,711	77,541	
Current Year Offsets				
Qualifying Disbursements	(187,199)	(191,950)		
Total	\$45,512	\$40,761	\$181,677	
Cash Balance Carried Forward to FY 2001	\$45,512	\$40,761	\$181,677	
Amount Restricted for Textbooks				\$45,512
Amount Restricted for Capital Acquisitions				40,761
Amount restricted for Budget Stabilization				181,677
Total Restricted Assets				\$267,950

17. SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,133,908 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven ". . . major areas warrant further attention, study, and development by the General Assembly," including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed

**ARCHBOLD AREA LOCAL SCHOOL
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

18. INTERFUND TRANSACTIONS

Interfund balances consist of the following individual fund transactions:

For the Year Ended June 30, 2000		
	Transfers In	Transfers Out
General Fund		\$12,983
Enterprise Fund	\$12,983	
Total	\$12,983	\$12,983

19. ACCOUNTABILITY AND COMPLIANCE

A. Compliance

Certain expenditures were not properly certified according to the requirements of Ohio Revised Code § 5705.41(D).

B. Error Correction

Personal Property taxes available at June 30, 1999 were incorrectly recognized as revenue. The effects of this error correction on fund balances and Excess of Revenues and Other Sources Over Expenditures and Other Uses as previously reported are as follows:

	Beginning Fund Balance	Excess of Revenues and Other Sources Over Expenditures and Other Uses
<u>General Fund</u>		
Amount as previously reported	\$3,602,918	\$528,709
Error correction	(663,466)	(663,466)
Amount at June 30, 1999	\$2,939,452	\$(134,757)
<u>Debt Service Fund</u>		
Amount as previously reported	\$656,615	\$(13,515)
Error correction	(73,473)	(73,473)
Amount at June 30, 1999	\$583,142	\$86,988

**ARCHBOLD AREA LOCAL SCHOOL
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

20. AGENCY FUNDS

<u>General-Purpose Statement Changes in Assets and Liabilities</u>			
	<u>Balance at 06/30/99</u>	<u>Change</u>	<u>Balance at 06/30/00</u>
Assets	<u>\$35,928</u>	<u>(\$7,379)</u>	<u>\$28,549</u>
Liabilities	<u>\$35,928</u>	<u>(\$7,379)</u>	<u>\$28,549</u>

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

Archbold Area Local School District
Fulton County
600 Lafayette Street
Archbold, Ohio 43502-1657

To the Board of Education:

We have audited the financial statements of the Archbold Area Local School District, Fulton County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 30, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10126-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 30, 2000.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 30, 2000.

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

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

Jim Petro
Auditor of State

November 30, 2000

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2000**

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

FINDING NUMBER 2000-10126-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.

- B. Concerning amounts less than \$1,000, the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

This code section states that fiscal officers may prepare so-called "regular blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current fiscal year. The regular blanket certificates may, but need not, be limited to a specific vendor. Only one regular blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

In addition to regular blanket certificates, a subdivision's fiscal officer may also issue so-called "super blanket" certificates for amounts over \$5,000 for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The Treasurer did not make the proper certification of funds for 27 percent of the transactions tested during the audit period. We recommend that the Treasurer certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by District officials. The certification can also be made through the use of "regular blankets," "then and now" or "super blanket" certificates.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10126-001	Ohio Revised Code § 5705.41(D) improper fiscal officer certification of certain expenditures.	No	Not Corrected.



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OFFICE OF THE AUDITOR

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ARCHBOLD AREA LOCAL SCHOOL DISTRICT

FULTON 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
DECEMBER 26, 2000**