



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



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

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**STATE OF OHIO**



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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, 1999, 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, 1999, 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 December 22, 1999 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.

**Jim Petro**  
Auditor of State

December 22, 1999



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**COMBINED BALANCED SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE YEAR ENDED JUNE 30, 1999**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,694,888	\$218,679	\$525,740	\$46,257
Cash and Cash Equivalents:				
With Fiscal Agents		3,309		67,911
Receivables:				
Taxes	5,147,907		1,374,069	
Accounts	4,657			
Accrued Interest	3,433			
Materials and Supplies Inventory	8,796			
Prepaid Items	5,701			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	104,136			
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund				
Amounts to be Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<b><u>\$8,969,518</u></b>	<b><u>\$221,988</u></b>	<b><u>\$1,899,809</u></b>	<b><u>\$114,168</u></b>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$74,396	\$23,293		\$2,790
Accrued Wages and Benefits	869,602	1,708		
Compensated Absences Payable	7,272			
Intergovernmental Payable	116,727			
Retainage Payable				67,911
Deferred Revenue	4,298,603		\$1,243,194	
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>5,366,600</u>	<u>25,001</u>	<u>1,243,194</u>	<u>70,701</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	2,522	21,034		6,200
Reserved for Inventory	8,796			
Reserved for Prepaid Items	5,701			
Reserved for Debt Service Principal			525,740	
Reserved for Property Taxes	849,304		130,875	
Reserved for Budget Stabilization	104,136			
Unreserved:				
Unreserved, Undesignated	2,632,459	175,953		37,267
Total Fund Equity and Other Credits	<u>3,602,918</u>	<u>196,987</u>	<u>656,615</u>	<u>43,467</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$8,969,518</u></b>	<b><u>\$221,988</u></b>	<b><u>\$1,899,809</u></b>	<b><u>\$114,168</u></b>

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



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Asset	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$15,638	\$83,330			\$4,584,532
				71,220
				6,521,976
9,591				14,248
	153			3,586
10,741				19,537
				5,701
				104,136
160,418		\$23,332,936		23,493,354
(75,470)				(75,470)
			\$525,740	525,740
			15,804,905	15,804,905
<b>\$120,918</b>	<b>\$83,483</b>	<b>\$23,332,936</b>	<b>\$16,330,645</b>	<b>\$51,073,465</b>

\$25	\$43			\$100,547
26,255				897,565
13,680			\$699,510	720,462
14,206			50,838	181,771
				67,911
9,442				5,551,239
	35,885			35,885
			15,580,297	15,580,297
63,608	35,928		16,330,645	23,135,677
		\$23,332,936		23,332,936
57,310				57,310
				29,756
				8,796
				5,701
				525,740
				980,179
				104,136
	47,555			2,893,234
57,310	47,555	23,332,936		27,937,788
<b>\$120,918</b>	<b>\$83,483</b>	<b>\$23,332,936</b>	<b>\$16,330,645</b>	<b>\$51,073,465</b>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types	
	General	Special Revenue
<b>Revenues:</b>		
Intergovernmental	\$2,235,090	\$157,115
Interest	251,010	
Tuition and Fees	21,831	
Rent	14,908	
Extracurricular Activities		218,728
Gifts and Donations	750	
Property and Other Local Taxes	5,166,728	
Miscellaneous	1,032,401	
	8,722,718	375,843
<b>Expenditures:</b>		
Instructions:		
Regular	4,497,169	34,463
Special	259,274	66,668
Vocational	167,235	
Other	92,892	
Support Services:		
Pupils	323,337	34,212
Instructional Staff	139,793	41,414
Board of Education	27,364	
Administration	599,430	3,582
Fiscal	225,941	
Operation and Maintenance of Plant	1,263,858	1,258
Pupil Transportation	379,889	
Central	18,108	
Non-Instructional Services		1,244
Extracurricular activities	188,845	243,836
Capital Outlay	2,124	
Debt Service:		
Principal		
Interest		
	8,185,259	426,677
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>537,459</b>	<b>(50,834)</b>
<b>Other Financing Sources (Uses)</b>		
Proceeds from Sale of Fixed Assets	250	
Refund of Prior Year Expenditures		678
Other Financing Sources		6,641
Operating Transfers Out	(9,000)	
	(8,750)	7,319
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	528,709	(43,515)
Fund Balance at Beginning of Year	3,074,209	240,502
<b>Fund Balance at End of Year</b>	<b>\$3,602,918</b>	<b>\$196,987</b>

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

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$98,843	\$140,695 8,701	\$2,824	\$2,631,743 262,535 21,831 14,908 218,728 750
1,310,026			6,476,754 1,032,401
<u>1,408,869</u>	<u>149,396</u>	<u>2,824</u>	<u>10,659,650</u>
	115,059		4,646,691 325,942 167,235 92,892
30,856		5,876	357,549 181,207 27,364 603,012 256,797 1,265,116 379,889 18,108 7,120 432,681 440,769
605,000 786,528	438,645		605,000 786,528
<u>1,422,384</u>	<u>553,704</u>	<u>5,876</u>	<u>10,593,900</u>
<u>(13,515)</u>	<u>(404,308)</u>	<u>(3,052)</u>	<u>65,750</u>
			250 678 6,641 (9,000)
			<u>(1,431)</u>
(13,515)	(404,308)	(3,052)	64,319
<u>670,130</u>	<u>447,775</u>	<u>50,607</u>	<u>4,483,223</u>
<u><b>\$656,615</b></u>	<u><b>\$43,467</b></u>	<u><b>\$47,555</b></u>	<u><b>\$4,547,542</b></u>

**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, 1999**

	<u>General</u>		<b>Variance: Favorable (Unfavorable)</b>
	<u>Budget</u>	<u>Actual</u>	
<b>Revenues:</b>			
Intergovernmental	\$2,241,481	\$2,241,481	
Interest	238,176	247,450	\$9,274
Tuition and Fees	21,831	21,831	
Rent	10,378	10,378	
Extracurricular Activities			
Gifts and Donations	750	750	
Property and Other Local Taxes	5,106,616	5,106,616	
Miscellaneous	1,033,955	1,033,955	
Total Revenues	<u>8,653,187</u>	<u>8,662,461</u>	<u>9,274</u>
<b>Expenditures:</b>			
Instruction:			
Regular	4,786,505	4,567,632	218,873
Special	325,250	257,593	67,657
Vocational	184,760	169,764	14,996
Other	95,400	92,891	2,509
Support Services:			
Pupils	342,290	322,109	20,181
Instructional Staff	167,350	139,632	27,718
Board of Education	44,374	27,437	16,937
Administration	654,079	623,395	30,684
Fiscal	269,000	227,988	41,012
Operation and Maintenance of Plant	1,561,829	1,280,810	281,019
Pupil Transportation	431,109	391,081	40,028
Central	25,000	18,108	6,892
Non-Instructional Services			
Extracurricular activities	194,800	188,656	6,144
Capital Outlay	11,659	5,783	5,876
Debt Service:			
Principal			
Interest			
Total Expenditures	<u>9,093,405</u>	<u>8,312,879</u>	<u>780,526</u>
Excess of Revenues Over (Under) Expenditures	<u>(440,218)</u>	<u>349,582</u>	<u>789,800</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Fixed Assets	250	250	
Refund of Prior Year Expenditures	75	75	
Other Financing Sources			
Operating Transfers Out	(10,000)	(9,000)	1,000
Other Financing Uses	(900)		900
Total Other Financing Sources (Uses)	<u>(10,575)</u>	<u>(8,675)</u>	<u>1,900</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(450,793)</u>	<u>340,907</u>	<u>791,700</u>
Fund Balances at Beginning of Year	3,310,119	3,310,119	
Prior Year Encumbrances Appropriated	71,080	71,080	
<b>Fund Balance at end of Year</b>	<u><b>\$2,930,406</b></u>	<u><b>\$3,722,106</b></u>	<u><b>\$791,700</b></u>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$90,262	\$90,262		\$99,706	\$99,706	
219,376	219,376		1,358,041	1,358,041	
<u>309,638</u>	<u>309,638</u>		<u>1,457,747</u>	<u>1,457,747</u>	
59,313	52,031	\$7,282			
41,994	41,994				
11,756	9,705	2,051			
29,040	23,237	5,803			
3,271	2,182	1,089			
			35,000	30,856	\$4,144
343,381	253,365	90,016			
			605,000	605,000	
			787,000	786,528	472
<u>488,755</u>	<u>382,514</u>	<u>106,241</u>	<u>1,427,000</u>	<u>1,422,384</u>	<u>4,616</u>
<u>(179,117)</u>	<u>(72,876)</u>	<u>106,241</u>	<u>30,747</u>	<u>35,363</u>	<u>4,616</u>
678	678				
6,641	6,641				
<u>7,319</u>	<u>7,319</u>				
(171,798)	(65,557)	106,241	30,747	35,363	4,616
224,600	224,600		490,377	490,377	
15,309	15,309				
<u>\$68,111</u>	<u>\$174,352</u>	<u>\$106,241</u>	<u>\$521,124</u>	<u>\$525,740</u>	<u>\$4,616</u>

(Continued)

**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, 1999  
(Continued)**

	<u>Capital Projects</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Intergovernmental	\$140,695	\$140,695	
Interest	8,918	8,879	(\$39)
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	<u>149,613</u>	<u>149,574</u>	<u>(39)</u>
<b>Expenditures:</b>			
Instruction:			
Regular	151,137	121,259	29,878
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	890,425	884,214	6,211
Debt Service:			
Principal			
Interest			
Total Expenditures	<u>1,041,562</u>	<u>1,005,473</u>	<u>36,089</u>
Excess of Revenues Over (Under) Expenditures	<u>(891,949)</u>	<u>(855,899)</u>	<u>36,050</u>
<b>Other Financing Sources (Uses)</b>			
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 Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(891,949)</u>	<u>(855,899)</u>	<u>36,050</u>
Fund Balances at Beginning of Year	337,538	337,538	
Prior Year Encumbrances Appropriated	<u>623,539</u>	<u>623,539</u>	
<b>Fund Balance at end of Year</b>	<u><b>\$69,128</b></u>	<u><b>\$105,178</b></u>	<u><b>\$36,050</b></u>

*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)
\$2,808	\$2,808		\$2,572,144	\$2,572,144	
			249,902	259,137	\$9,235
			21,831	21,831	
			10,378	10,378	
			219,376	219,376	
			750	750	
			6,464,657	6,464,657	
			1,033,955	1,033,955	
<u>2,808</u>	<u>2,808</u>		<u>10,572,993</u>	<u>10,582,228</u>	<u>9,235</u>
			4,996,955	4,740,922	256,033
			367,244	299,587	67,657
			184,760	169,764	14,996
			95,400	92,891	2,509
			354,046	331,814	22,232
			196,390	162,869	33,521
			44,374	27,437	16,937
			657,350	625,577	31,773
			304,000	258,844	45,156
			1,561,829	1,280,810	281,019
			431,109	391,081	40,028
			25,000	18,108	6,892
10,000	5,876	\$4,124	10,000	5,876	4,124
			538,181	442,021	96,160
			902,084	889,997	12,087
			605,000	605,000	
			787,000	786,528	472
<u>10,000</u>	<u>5,876</u>	<u>4,124</u>	<u>12,060,722</u>	<u>11,129,126</u>	<u>931,596</u>
<u>(7,192)</u>	<u>(3,068)</u>	<u>4,124</u>	<u>(1,487,729)</u>	<u>(546,898)</u>	<u>940,831</u>
			250	250	
			753	753	
			6,641	6,641	
			(10,000)	(9,000)	1,000
			(900)		900
			<u>(3,256)</u>	<u>(1,356)</u>	<u>1,900</u>
(7,192)	(3,068)	4,124	(1,490,985)	(548,254)	942,731
50,470	50,470		4,413,104	4,413,104	
			709,928	709,928	
<u>\$43,278</u>	<u>\$47,402</u>	<u>\$4,124</u>	<u>\$3,632,047</u>	<u>\$4,574,778</u>	<u>\$942,731</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 1999**

	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$269,991
<b>Operating Expenses:</b>	
Salaries	132,835
Fringe Benefits	54,244
Purchased Services	9,861
Materials and Supplies	198,971
Depreciation	11,376
Total Operating Expenses	407,287
Operating Loss	(137,296)
<b>Non-Operating Revenues and Expenses:</b>	
Federal Donated Commodities	38,659
Interest	569
Federal and State Subsidies	52,581
Total Non-Operating Revenues and Expenses	91,809
Loss Before Operating Transfers	(45,487)
Operating Transfers-In	9,000
Net Loss	(36,487)
Retained Earnings at Beginning of Year	93,797
<b>Retained Earnings at End of Year</b>	<b>\$57,310</b>

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



**COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED JUNE 30, 1999**

	<b>Enterprise</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Sales	\$269,384
Cash Payments to Suppliers for Goods and Service	(159,027)
Cash Payments for Contract Services	(9,861)
Cash Payments for Employee Services	(133,000)
Cash Payments for Employee Benefits	(58,586)
Net Cash Used for Operating Activities	(91,090)
<b>Cash Flows from Noncapital Financing Activities:</b>	
Operating Grants Received	52,563
Operating Transfers In	9,000
Net Cash Provided by Noncapital Financing Activities	61,563
<b>Cash Flows from Investing Activities:</b>	
Interest on Investments	569
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Payments for Capital Acquisitions	(379)
Net Decrease in Cash and Cash Equivalents	(29,337)
Cash and Cash Equivalents at Beginning of Year	44,975
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$15,638</b>

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES**

Operating Loss	(\$137,296)
<b>Adjustments to Reconcile Operating Loss</b>	
<b>To Net Cash Used for Operating Activities:</b>	
Depreciation	11,376
Donated Commodities Used During the Year	38,659
(Increase) Decrease in Assets:	
Accounts Receivable	(607)
Material and Supplies Inventory	(2,910)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	(10,797)
Intergovernmental Payable	6,769
Deferred Revenue	4,170
Accounts Payable	25
Accrued Wages and Benefits	(479)
Total Adjustments	46,206
<b>Net Cash Used for Operating Activities</b>	<b>(\$91,090)</b>

The Food Service Fund consumed donated commodities with a value of \$38,659. 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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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE 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 § 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 four 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, account groups, agencies, boards, commissions, and component units 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 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.

**NOTE 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.
  - b. Property taxes measurable but not available as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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. Agency funds are accounted for using the modified accrual basis of accounting. 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.

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).

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**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 are not included within the District's reporting entity for which the "appropriated budget" is adopted, and the District does not maintain separate budgetary records.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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, 1999 follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
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**(Continued)**

Excess of Revenues and Other Financing Sources Over  
(Under) Expenditures and Other Financing Uses

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$340,907	(\$65,557)	\$35,363	(\$855,899)	(\$3,068)
Revenue Accruals	60,257	66,205	(48,877)	(178)	16
Expenditure Accruals	50,703	(88,490)		442,780	
Other	(75)				
Encumbrances	76,917	44,327		8,989	
GAAP Basis	<u>\$528,709</u>	<u>(\$43,515)</u>	<u>(\$13,514)</u>	<u>(\$404,308)</u>	<u>(\$3,052)</u>

**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 1999, investments were limited to nonparticipating investment contracts, which are certificates of deposit, that are 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 general and food service funds during fiscal year 1999 amounted to \$251,010 and \$569, respectively.

**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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(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. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of general fixed assets is also not capitalized. 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 asset in General Fixed Assets Account Group. The District does not have any infrastructure.

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.

**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

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



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

Eisenhower Grant  
Preschool Disability Grant  
Textbook/Instructional Materials Subsidy  
Library Automation Systems Grant

Capital Projects Fund  
SchoolNet

Reimbursable Grants

General Fund  
Driver Education Reimbursement  
School Bus Purchase 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 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 budget stabilization. See Note 16 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, inventories of supplies and materials, prepaid items, debt services, property taxes, 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. Money not yet held for the five year period is presented as reserved.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**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 of the cash management pool and 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.

**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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 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;
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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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 \$175 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 \$4,756,404 and the bank balance was \$4,822,978. Of the bank balance, \$274,584 was covered by Federal Depository Insurance and \$4,548,394 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 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 Deposits
GASB Statement 9	\$4,759,888
Cash and Cash Equivalents with Fiscal Agent	(3,309)
Cash on Hand	(175)
GASB Statement 3	\$4,756,404

**NOTE 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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, 1999. 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, 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

	Amount
Residential/Agricultural	\$73,483,640
Commercial/Industrial	37,567,620
Public Utility	13,118,950
General Personal Property	62,931,790
	\$187,102,000
	\$187,102,000

**NOTE 5 - FIXED ASSETS**

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

	Balance at 6/30/98	Additions	Disposals	Balance at 6/30/99
Land and land improvements	\$779,857	\$4,795		\$784,652
Buildings	9,465,958	9,634,852		19,100,810
Furniture and equipment	2,965,530	387,584	\$113,925	3,239,189
Text and library books	169,688	38,597		208,285
Construction in progress	8,834,929	779,262	9,614,191	
Total	\$22,215,962	\$10,845,090	\$9,728,116	\$23,332,936

A summary of Enterprise Fund fixed assets at June 30, 1999 follows:

Asset Category	Balance at 6/30/99
Furniture and equipment	\$160,418
Less accumulated depreciation	(75,470)
Total	\$ 84,948

**NOTE 6 - LONG-TERM OBLIGATIONS**

During the year ended June 30, 1999 the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

	Balance at 6/30/98	Adjustments	Additions	Deductions	Balance at 6/30/99
School facilities construction and improvement bonds					
Series 1988	\$275,000			\$275,000	
Series 1992					
Current interest bonds	5,319,976	(204,976)		145,000	4,970,000
Capital appreciation bonds		1,227,538	146,081		1,373,619
Total Series 1992	5,319,976	1,022,562	146,081	145,000	6,343,619
Series 1996					
Current interest bonds	9,195,000	(350,000)		185,000	8,660,000
Capital appreciation bonds		511,379	65,299		576,678
Total Series 1996	9,195,000	161,379	65,299	185,000	9,236,678
General obligation bonds	14,789,976	1,183,941	211,380	605,000	15,580,297
Intergovernmental payable	55,359			4,521	50,838
Compensated absences payable	777,647			78,137	699,510
Total	<u>\$15,622,982</u>	<u>\$1,183,941</u>	<u>\$211,380</u>	<u>\$687,658</u>	<u>\$16,330,645</u>

Debt outstanding at June 30, 1999 consisted of two separate school facilities construction and improvement bond issuances (Series 1992 and 1996).

During fiscal 1999, the District recognized the accretion of interest on the capital appreciation bonds in the General Long-Term Obligations Account Group. The amount of this accretion is reflected in the adjustment column.

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, 1999 was \$1,373,619. The annual accretion of interest is based on the straight line method. Total accreted interest of \$1,168,643 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, 1999 was \$576,678. The annual accretion of interest is based on the straight line method. Total accreted interest of \$195,896 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, 1999 was \$786,528.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

The scheduled payments of principal and interest on debt outstanding at June 30, 1999 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$655,000	\$753,916	\$1,408,916
2001	690,000	722,150	1,412,150
2002	745,000	686,968	1,431,968
2003	815,000	647,624	1,462,624
2004	855,000	678,067	1,533,067
thereafter	13,000,000	5,787,801	18,787,801
Total	<u>\$16,760,000</u>	<u>\$9,276,526</u>	<u>\$26,036,526</u>

**NOTE 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 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, 1999 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 were \$7,272 and \$699,510, respectively. The liability for compensated absences in the proprietary funds at June 30, 1999 was \$13,680.

**NOTE 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 1999, 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,



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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, 1999, 1998, and 1997 were \$106,805, \$79,486, and \$71,302, respectively; 50 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$53,112 representing unpaid contribution for fiscal year 1999, 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.

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, 1999, 1998, and 1997 were \$600,344, \$476,424, and \$457,723, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$99,124 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**NOTE 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.

**NOTE 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, 1999, the Board allocated employer contributions to equal eight percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$343,054 during fiscal 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 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 4.98 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 1998, 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.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$60,474 during the 1999 fiscal year.

**NOTE 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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.

**NOTE 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, 1999 was as follows:

	Lunchroom/ Cafeteria	Uniform School Supplies	Total Enterprise Funds
Operating revenues	\$222,335	\$47,656	\$269,991
Depreciation	11,376		11,376
Operating loss	(127,379)	(9,917)	(137,296)
Donated commodities	38,659		38,659
Grants	52,581		52,581
Interest	569		569
Operating transfers - in		9,000	9,000
Net loss	(35,570)	(917)	(36,487)
Fixed asset additions	379		379
Net working capital	(30,601)	2,963	(27,638)
Total assets	117,955	2,963	120,918
Total liabilities	63,608		63,608
Total equity	54,347	2,963	57,310

**NOTE 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, 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 \$18,108. Financial information can be obtained from Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**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 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 Joint Vocational School**

The 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 Joint Vocational School 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.

**NOTE 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.

**NOTE 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 \$544,055. 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

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

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The 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, 1998			\$31,310	
Current Year Set-aside Requirement	\$145,652	\$145,652	72,826	
Current Year Offsets	(22,624)	(127,167)		
Qualifying Disbursements	(141,894)	(216,482)		
Total	(18,866)	(197,997)	104,136	
Cash Balance Carried Forward to FY 1999			\$104,136	
Amount restricted for Budget Stabilization				\$104,136
Total Restricted Assets				\$104,136

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 17 - INTERFUND TRANSACTIONS**

Interfund balances consist of the following individual fund transactions:

For the year ended June 30, 1999		
	Transfers In	Transfers Out
General Fund		\$9,000
Enterprise Fund	\$9,000	
Total	\$9,000	\$9,000

**NOTE 18 - ACCOUNTABILITY**

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

**NOTE 19 - 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 Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$1,899,677 of school foundation support for its general fund.

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has 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 has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in the Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the 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.

**NOTE 20 - YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, educational statistics reporting (through the State's Education Management and Information System (EMIS), and the heating systems in the school buildings.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

The District contracts with the Northwest Ohio Computer Association (NWOCA), an external service organizations, for its financial operations including financial reporting, payroll and employee benefits, and educational statistics reporting systems. NWOCA is responsible for remediating these systems.

Fulton County collects property taxes for distribution to the District. Fulton County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through EMIS. The State is responsible for remediating these systems.

The District has completed assessing the changes needed in the heating systems. One building contains a system for which the District plans no changes. Two other buildings were found to require remediation. Updates to the software in the systems have been made and tested.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

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STATE OF OHIO  
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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, 1999, and have issued our report thereon dated December 22, 1999. 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 1999-10126-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 22, 1999.

**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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 22, 1999.

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

December 22, 1999

**SCHEDULE OF FINDINGS  
JUNE 30, 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-10126-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
  
- B. Amounts of less than \$1,000 for political subdivisions (other than counties), may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Twenty-five percent of the transactions tested were not certified at the time the commitment was incurred. These commitments were not subsequently approved by the School Board within the aforementioned 30 day time period.

We recommend the Treasurer certify the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing an order. In instances where prior certification is not practical, we recommend issuance of a "then and now" certificate.

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
1998-10126-001	Ohio Revised Code § 5705.41(D), improper fiscal officer certification of certain expenditures.	No	The District will attempt to improve the monitoring of the certification process through the use of "now & then" certificates.
1998-10126-002	Certain heating systems were not year 2000 compliant.	Yes	Finding is no longer valid.



STATE OF OHIO  
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  
JANUARY 18, 2000**