



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2001 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

December 12, 2001

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$5,144,797	\$198,117	\$747,382	\$3,248,279
Investments	143,519			
Receivables:				
Taxes	5,804,867		1,676,792	
Accounts	247			
Accrued Interest	3,235			7,775
Materials and Supplies Inventory	12,319			
Prepaid Items	3,244			
Restricted Assets:				
Investments	116,600			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount in Debt Service Fund for Retirement of General Long-Term Obligations Provided from General Government Resources				
Total Assets and Other Debits	<u>\$11,228,828</u>	<u>\$198,117</u>	<u>\$2,424,174</u>	<u>\$3,256,054</u>

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$2,842	\$45,918 45,643			\$9,387,335 189,162
				7,481,659
2,047	1,172 144			3,466 11,154
10,033				22,352 3,244
				116,600
152,276 (90,578)		\$23,869,570		24,021,846 (90,578)
			\$916,320	916,320
			17,948,716	17,948,716
\$76,620	\$92,877	\$23,869,570	\$18,865,036	\$60,011,276

(Continued)

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$140,120	\$19,623		
Accrued Wages and Benefits	812,109	92		
Compensated Absences Payable	50,293			
Due to Others				
Intergovernmental Payable	197,567			
Deferred Revenue	5,309,497		\$1,445,564	
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	6,509,586	19,715	1,445,564	
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	81,382	15,591		
Reserved for Inventory	12,319			
Reserved for Prepaid Items	3,244			
Reserved for Debt Service Principal			916,320	
Reserved for Property Taxes	187,689		62,290	
Reserved for Textbooks & Instructional Materials	57,293			
Reserved for Capital Improvements	24,279			
Reserved for Budget Stabilization	35,028			
Designations:				
Designations for Budget Stabilization	150,367			
Designations for Textbooks & Instructional Materials	983			
Unreserved:				
Unreserved, Undesignated	4,166,658	162,811		\$3,256,054
Total Fund Equity and Other Credits	4,719,242	178,402	978,610	3,256,054
Total Liabilities, Fund Equity and Other Credits	\$11,228,828	\$198,117	\$2,424,174	\$3,256,054

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			
\$460	\$830			\$161,033
32,668				844,869
14,311			\$846,150	910,754
	2,811			2,811
14,617			60,831	273,015
7,976				6,763,037
	41,995			41,995
			17,958,055	17,958,055
70,032	45,636		18,865,036	26,955,569
		\$23,869,570		23,869,570
6,588				6,588
				96,973
				12,319
				3,244
				916,320
				249,979
				57,293
				24,279
				35,028
				150,367
				983
	47,241			7,632,764
6,588	47,241	23,869,570		33,055,707
\$76,620	\$92,877	\$23,869,570	\$18,865,036	\$60,011,276

**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, 2001**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$2,597,736	\$192,739
Interest	394,260	
Tuition and Fees	38,419	
Rent	9,280	
Extracurricular Activities		232,521
Gifts and Donations	851	
Property and Other Local Taxes	6,193,639	
Tax Abatements	1,366,778	
Miscellaneous	55,877	
	10,656,840	425,260
Expenditures:		
Instruction:		
Regular	5,198,166	33,083
Special	580,552	111,555
Vocational	149,612	
Other	44,019	
Support services:		
Pupils	349,537	6,683
Instructional Staff	243,782	38,124
Board of Education	31,302	
Administration	689,492	2,313
Fiscal	238,299	
Operation and Maintenance of Plant	1,223,862	
Pupil Transportation	425,911	
Non-Instructional Services		
Extracurricular activities	210,142	231,292
Capital Outlay	41,549	
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
	9,426,225	423,050
Excess of Revenues Over (Under) Expenditures	1,230,615	2,210
Other Financing Sources and Uses		
Proceeds from Sale of Bonds		
Proceeds from Sale of Fixed Assets	20	
Other Financing Sources		4,500
Operating Transfers Out	(51,000)	
	(50,980)	4,500
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,179,635	6,710
Fund Balance at Beginning of Year	3,539,607	171,692
Fund Balance at End of Year	\$4,719,242	\$178,402

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	
\$114,815	\$74,062		\$2,979,352
	101,612	\$3,028	498,900
			38,419
			9,280
			232,521
			851
1,664,311			7,857,950
			1,366,778
		1,172	57,049
<u>1,779,126</u>	<u>175,674</u>	<u>4,200</u>	<u>13,041,100</u>
	64,019		5,295,268
			692,107
			149,612
			44,019
			356,220
			281,906
			31,302
31,785			691,805
			270,084
			1,223,862
			425,911
		3,223	3,223
			441,434
	157,821		199,370
690,000			690,000
822,974			822,974
<u>1,544,759</u>	<u>221,840</u>	<u>3,223</u>	<u>11,619,097</u>
<u>234,367</u>	<u>(46,166)</u>	<u>977</u>	<u>1,422,003</u>
	3,300,000		3,300,000
2,622			20
			7,122
			(51,000)
<u>2,622</u>	<u>3,300,000</u>		<u>3,256,142</u>
236,989	3,253,834	977	4,678,145
741,621	2,220	46,264	4,501,404
<u>\$978,610</u>	<u>\$3,256,054</u>	<u>\$47,241</u>	<u>\$9,179,549</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$2,600,099	\$2,600,099	
Interest	385,130	400,018	\$14,888
Tuition and Fees	38,378	38,378	
Rent	11,957	11,957	
Extracurricular Activities			
Gifts and Donations	851	851	
Property and Other Local Taxes	5,867,552	5,867,552	
Miscellaneous	1,422,547	1,422,547	
Total Revenues	10,326,514	10,341,402	14,888
Expenditures:			
Current:			
Instruction:			
Regular	5,444,824	5,177,911	266,913
Special	574,950	567,188	7,762
Vocational	166,385	149,458	16,927
Other	51,159	44,232	6,927
Support services:			
Pupils	363,320	346,050	17,270
Instructional Staff	295,709	237,659	58,050
Board of Education	33,334	31,502	1,832
Administration	735,538	683,451	52,087
Fiscal	289,255	238,395	50,860
Operation and Maintenance of Plant	1,699,918	1,346,538	353,380
Pupil Transportation	473,993	418,921	55,072
Non-Instructional Services			
Extracurricular activities	251,200	206,979	44,221
Capital Outlay	53,000	41,549	11,451
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	10,432,585	9,489,833	942,752
Excess of Revenues Over (Under) Expenditures	(106,071)	851,569	957,640
Other Financing Sources and Uses			
Proceeds from Sale of Bonds			
Proceeds from Sale of Fixed Assets	20	20	
Refund of Prior Year Expenditures	35	35	
Other Financing Sources			
Operating Transfers Out	(51,000)	(51,000)	
Advances Out	(50,000)		50,000
Other Financing Uses	(123,300)		123,300
Total Other Financing Sources (Uses)	(224,245)	(50,945)	173,300
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(330,316)	800,624	1,130,940
Fund Balances at Beginning of Year	4,220,646	4,220,646	
Prior Year Encumbrances Appropriated	189,650	189,650	
Fund Balance at End of Year	\$4,079,980	\$5,210,920	\$1,130,940

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$192,739	\$192,739		\$114,815	\$114,815	
232,442	232,522	\$80	1,494,323	1,494,323	
425,181	425,261	80	1,609,138	1,609,138	
63,393	33,082	30,311			
116,502	111,530	4,972			
11,748	11,748				
39,872	38,124	1,748			
2,817	2,595	222	35,000	31,785	\$3,215
340,372	257,925	82,447			
			3,990,000	3,990,000	
			823,000	822,974	26
574,704	455,004	119,700	4,848,000	4,844,759	3,241
(149,523)	(29,743)	119,780	(3,238,862)	(3,235,621)	3,241
			3,300,000	3,300,000	
4,500	4,500		2,622	2,622	
4,500	4,500		3,302,622	3,302,622	
(145,023)	(25,243)	119,780	63,760	67,001	3,241
151,217	151,217		680,381	680,381	
36,929	36,929				
\$43,123	\$162,903	\$119,780	\$744,141	\$747,382	\$3,241

(Continued)

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$74,062	\$74,062	
Interest	93,837	93,837	
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property and Other Local Taxes			
Miscellaneous	3,300,000	3,300,000	
Total Revenues	3,467,899	3,467,899	
Expenditures:			
Current:			
Instruction:			
Regular	95,175	64,019	\$31,156
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	3,300,000	157,822	3,142,178
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	3,395,175	221,841	3,173,334
Excess of Revenues Over (Under) Expenditures	72,724	3,246,058	3,173,334
Other Financing Sources and Uses			
Proceeds from Sale of Bonds			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Other Financing Sources			
Operating Transfers Out			
Advances Out			
Other Financing Uses			
Total Other Financing Sources (Uses)			
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	72,724	3,246,058	3,173,334
Fund Balances at Beginning of Year	2,219	2,219	
Prior Year Encumbrances Appropriated			
Fund Balance at End of Year	\$74,943	\$3,248,277	\$3,173,334

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)
\$3,066	\$3,066		\$2,981,715	\$2,981,715	
			482,033	496,921	\$14,888
			38,378	38,378	
			11,957	11,957	
			232,442	232,522	80
			851	851	
			7,361,875	7,361,875	
			4,722,547	4,722,547	
3,066	3,066		15,831,798	15,846,766	14,968
			5,603,392	5,275,012	328,380
			691,452	678,718	12,734
			166,385	149,458	16,927
			51,159	44,232	6,927
			375,068	357,798	17,270
			335,581	275,783	59,798
			33,334	31,502	1,832
			738,355	686,046	52,309
			324,255	270,180	54,075
			1,699,918	1,346,538	353,380
			473,993	418,921	55,072
10,000	3,223	\$6,777	10,000	3,223	6,777
			591,572	464,904	126,668
			3,353,000	199,371	3,153,629
			3,990,000	3,990,000	
			823,000	822,974	26
10,000	3,223	6,777	19,260,464	15,014,660	4,245,804
(6,934)	(157)	6,777	(3,428,666)	832,106	4,260,772
			3,300,000	3,300,000	
			20	20	
			35	35	
			7,122	7,122	
			(51,000)	(51,000)	
			(50,000)		50,000
			(123,300)		123,300
			3,082,877	3,256,177	173,300
(6,934)	(157)	6,777	(345,789)	4,088,283	4,434,072
46,082	46,082		5,100,545	5,100,545	
			226,579	226,579	
\$39,148	\$45,925	\$6,777	\$4,981,335	\$9,415,407	\$4,434,072

**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, 2001**

	Enterprise
Operating Revenues:	
Sales	\$288,524
Total Operating Revenues	288,524
Operating Expenses	
Salaries	164,176
Fringe Benefits	85,504
Purchased Services	3,051
Materials and Supplies	203,790
Depreciation	13,935
Total Operating Expenses	470,456
Operating Loss	(181,932)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	37,412
Federal and State Subsidies	57,007
Total Non-Operating Revenues and Expenses	94,419
Loss Before Operating Transfers	(87,513)
Operating Transfers-In	51,000
Net Loss	(36,513)
Retained Earnings at Beginning of Year	43,101
Retained Earnings at End of Year	\$6,588

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, 2001**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$288,805
Cash Payments to Suppliers for Goods and Service	(164,689)
Cash Payments for Contract Services	(3,051)
Cash Payments for Employee Services	(155,340)
Cash Payments for Employee Benefits	(75,370)
	(109,645)
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	57,007
Transfers In	51,000
	108,007
 Net Increase (Decrease) in Cash and Cash Equivalents	(1,638)
Cash and Cash Equivalents at Beginning of Year	4,480
	(1,638)
 Cash and Cash Equivalents at End of Year	\$2,842
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
 Operating Loss	(\$181,932)
 Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	13,935
Donated Commodities Used During the Year	37,412
(Increase) Decrease in Assets:	
Accounts Receivable	281
Material and Supplies Inventory	(528)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	3,865
Intergovernmental Payable	9,088
Deferred Revenue	1,757
Accrued Wages and Benefits	6,017
Accounts Payable	460
	72,287
 Total Adjustments	72,287
 Net Cash Used by Operating Activities	(\$109,645)

The Food Service Fund consumed donated commodities with a value of \$37,412. 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 DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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 Career Center, the Northwestern Ohio Educational Research Council, Inc., 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 14, 15, and 16 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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

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

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

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

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

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

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

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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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).

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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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. 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
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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, 2001 follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$800,624	(\$25,243)	\$67,001	\$3,246,058	(\$157)
Revenue Accruals	315,438	(1)	169,988	(3,292,225)	1,134
Expenditure Accruals	(130,389)	(3,260)	(3,300,000)	1	
Other	(35)		3,300,000	3,300,000	
Encumbrances	193,997	35,214			
GAAP Basis	\$1,179,635	\$6,710	\$236,989	\$3,253,834	\$977

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, generally cash received by the District is pooled. Monies for all funds, except the expendable trust fund, 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.

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During fiscal year 2001, 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 2001, was \$394,260 for the General fund, which includes \$63,082 assigned from other funds, \$101,612 for the Permanent Improvement fund, and \$3,028 for the Winzeler Trust fund.

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.

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 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. Interfund Transactions

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

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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.

I. 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 for the purchase of textbooks, for the acquisition or construction of capital assets, and to establish a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

J. Fund Balance Reserves and Designations

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, textbook purchases, capital acquisition 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.

Designations represent tentative management plans which are subject to change. Designations have been established for monies set-aside for budget reserves under ORC § 5705.13 and for textbook purchases in excess of statutory requirements.

K. 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.

L. 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.

M. 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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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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.

N. 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.

O. 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. COMPLIANCE

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

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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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 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.

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

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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 \$75 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 \$9,693,022 and the bank balance was \$9,844,513. Of the bank balance, \$126,625 was covered by Federal Depository Insurance and \$9,717,888 was collateralized with securities held by the pledging financial institution's agent in the District's name.

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

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

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$9,387,335	\$305,762
Investments	305,762	(305,762)
Cash on Hand	(75)	
GASB Statement 3	\$9,693,022	

5. PROPERTY TAXES

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

Real property taxes, excluding public utility property, are assessed at 35% 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.

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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 tax 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 tax collected with final settlement in May and October.

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

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

	<u>Amount</u>
Residential/Agricultural	\$40,204,850
Commercial/Industrial	88,485,050
Public Utility	13,639,530
General Personal Property	<u>65,539,450</u>
Total valuation	<u><u>\$207,868,880</u></u>

6. FIXED ASSETS

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

	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/01</u>
Land and land improvements	\$784,652			\$784,652
Buildings	19,149,773	\$31,356		19,181,129
Furniture and equipment	2,667,112	288,311	\$78,439	2,876,984

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(Continued)**

	Balance at 6/30/00	Additions	Disposals	Balance at 6/30/01
Text and library books	236,232	34,990		271,222
Vehicles	751,050	4,978	445	755,583
Total	\$23,588,819	\$359,635	\$78,884	\$23,869,570

A summary of Enterprise Fund fixed assets at June 30, 2001 follows:

Asset Category	Balance at 6/30/01
Furniture and equipment	\$152,276
Less accumulated depreciation	(90,578)
Total	\$61,698

7. LONG-TERM OBLIGATIONS

During the year ended June 30, 2001 the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at June 30, 2000	Additions	Deductions	Balance at June 30, 2001
School facilities construction and improvement bonds				
Series 1992				
Current interest bonds	\$4,520,000		\$470,000	\$4,050,000
Capital appreciation bonds	1,519,699	\$146,080		1,665,779
Total Series 1992	6,039,699	146,080	470,000	5,715,779
Series 1996				
Current interest bonds	8,455,000		220,000	8,235,000
Capital appreciation bonds	641,977	65,299		707,276
Total Series 1996	9,096,977	65,299	220,000	8,942,276
Series 2001				
Current interest bonds		3,155,000		3,155,000
Capital appreciation bonds		145,000		145,000
Total Series 2001		3,300,000		3,300,000
Total Bonds	\$15,136,676	\$3,511,379	\$690,000	\$17,958,055
General obligation bonds	\$15,136,676	\$3,511,379	\$690,000	\$17,958,055
Intergovernmental payable	78,780		17,949	60,831
Compensated absences payable	757,589	88,561		846,150
Total	\$15,973,045	\$3,599,940	\$707,949	\$18,865,036

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
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(Continued)**

Debt outstanding at June 30, 2001 consisted of three separate school facilities construction and improvement bonds issuances (Series 1992, 1996 and 2001).

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 5.69%. 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%) and 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, 2001 was \$1,665,779. The annual accretion of interest is based on the straight line method. Total accreted interest of \$1,460,805 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 5.87%. The capital appreciation bonds mature on December 1, 2004 (stated interest rate 10.6%), 2005 (stated interest rate 10.125%), and 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, 2001 was \$707,276. The annual accretion of interest is based on the straight line method. Total accreted interest of \$326,494 has been included in the value. The final maturity stated in the issue is December 1, 2021.

The Series 2001 issuance consists of both current interest bonds, par value of \$3,155,000, and capital appreciation bonds, par value of \$37,000. The average interest rate on the current interest bonds is 4.49%. The capital appreciation bonds mature on December 1, 2008 (stated interest rate 12.274%), 2009 (stated interest rate 10.825%), and 2010 (stated interest rate 10.824%), 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, 2001 was \$145,000. The annual accretion of interest is based on the straight line method. No accreted interest has been included in the value for 2001. The final maturity stated in the issue is December 1, 2025.

Total expenditures for interest for the above debt for the period ended June 30, 2001 was \$822,974.

The scheduled payments of principal and interest on debt outstanding at June 30, 2001 are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$775,000	\$835,866	\$1,610,866
2003	855,000	795,301	1,650,301
2004	854,428	845,113	1,699,541
2005	726,740	937,713	1,664,453
2006	697,316	980,164	1,677,480
thereafter	<u>14,049,571</u>	<u>7,433,350</u>	<u>21,482,921</u>
Total	<u>\$17,958,055</u>	<u>\$11,827,507</u>	<u>\$29,785,562</u>

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8. 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 10 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 51.25 days.

At June 30, 2001 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$50,293 and \$846,150, respectively. The liability for compensated absences in the proprietary funds at June 30, 2001 was \$14,311.

9. 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 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$60,675, \$70,630, and \$68,814 respectively; 50 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$31,825 representing unpaid contribution for fiscal year 2001, 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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 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, 2001, 2000, and 1999 were \$438,273, \$259,745, and \$257,290, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$76,276 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

10. 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.

11. 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 four and a half percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$207,603 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 billion at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

For this fiscal year, employer contributions to fund health care benefits were 8.45 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 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$211 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 \$112,276 during the 2001 fiscal year.

12. 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. Workers' 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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.

13. 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, 2001 was as follows:

	Lunchroom/ Cafeteria	Uniform School Supplies	Total Enterprise Funds
Operating revenues	\$240,063	\$48,461	\$288,524
Depreciation	13,935		13,935
Operating income (loss)	(171,567)	(10,365)	(181,932)
Donated commodities	37,412		37,412
Grants	57,007		57,007
Operating transfers-in	45,000	6,000	51,000
Net income (loss)	(32,148)	(4,365)	(36,513)
Fixed asset deletions	6,995		6,995
Net working capital	(58,519)	3,409	(55,110)
Total assets	72,751	3,869	76,620
Total liabilities	69,572	460	70,032
Total equity	3,179	3,409	6,588

14. 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 \$39,130. 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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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 \$3,000. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

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

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

15. 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

16. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$698,624. 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. During this fiscal year, the District paid an enrollment fee of \$1,051 to the WCGRP to cover the costs of administering the program.

17. 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. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers compensation refunds are required to be set aside at fiscal year end. The balance no longer required by statute for budget stabilization was designated by the District to be used for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2000	\$45,512	\$40,761	\$181,677	\$267,950
Current Year Set-aside Requirement	270,731	270,731	3,718	545,180
Legislative Reduction			(150,367)	(150,367)
Qualifying Disbursements	(258,950)	(287,213)		(546,163)
Set-aside Cash Balance as of June 30, 2001	<u>\$57,293</u>	<u>\$24,279</u>	<u>\$35,028</u>	<u>\$116,600</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Amounts restricted for Textbooks	\$57,293
Amounts restricted for Capital Acquisition	24,279
Amounts restricted for Budget Stabilization	35,028
Total Restricted Assets	\$116,600

18. SCHOOL FUNDING DECISION

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

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 12, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

19. INTERFUND TRANSACTIONS

Interfund balances consist of the following individual fund transactions:

For the year ended June 30, 2001		
	Transfers In	Transfers Out
General Fund		\$51,000
Enterprise Fund	\$51,000	
Total	\$51,000	\$51,000

ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)

20. AGENCY FUNDS

General-Purpose Statement Changes in Assets and Liabilities

	Balance at 06/30/00	Change	Balance at 06/30/01
Assets	\$32,579	\$13,057	\$45,636
Liabilities	\$32,579	\$13,057	\$45,636

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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 Archbold Area Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 12, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed a certain instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10126-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 12, 2001.

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 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 December 12, 2001.

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 these specified parties.

Jim Petro
Auditor of State

December 12, 2001

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING # 2001-10126-001

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 twenty-three 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 blanket", "then and now" or "super blanket" certificates.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

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	Partially corrected and reissued as finding number 2001-10126-001.



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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
JANUARY 3, 2002**