



**Auditor of State
Betty Montgomery**

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Archbold Area Local School District, Fulton County, (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Archbold Area Local School District, Fulton County, Ohio, as of June 30, 2003, and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. As described in Note 9 during the year ended June 30, 2003, the District changed its policy regarding capital asset capitalization.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2004, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

February 23, 2004

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003**

The discussion and analysis of Archbold Area Local School District's, (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2003 are as follows:

- The District retired \$3,560,000 in general obligation bonds with \$3,045,000 bond proceeds that had been issued in 2003. The District paid the remaining \$515,000 from amounts accumulated in the bond retirement fund.
- The new addition to the high school was completed in fiscal year 2003 to provide additional classroom space.
- In total, net assets decreased \$473,778.
- General revenues accounted for \$12,213,502, or 89 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$1,449,706 or 11 percent of total revenues of \$13,663,208.
- The District's major funds included the general fund and the bond debt service fund. The general fund had \$10,808,436 in revenues and other financing sources and \$11,201,504 in and expenditures and other financing uses. The general fund's fund balance decreased \$393,068 from the prior fiscal year. The bond retirement fund had \$4,815,765 in revenues and other financing sources and \$4,687,149 in and expenditures and other financing uses. The bond debt service fund's fund balance increased \$128,616 from the prior fiscal year.
- The revenue generated from the bond retirement fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the general fund is by far the most significant fund. The general fund and the bond retirement fund are the only two major funds.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2003. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses its governmental activities which include all its programs and services such as instruction, support services, non – instructional services and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The General Fund and the Bond Retirement Fund are the District's major governmental funds.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government – wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2003. A comparative analysis is not provided because this is the first year for government-wide financial statements using the full accrual basis of accounting. An analysis will be provided in future years when prior year information is available.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

Table 1
Net Assets
(In Thousands)
Governmental Activities

	2003
Assets:	
Current and Other Assets	\$ 14,577
Capital Assets, Net	13,621
<i>Total Assets</i>	28,198
 Liabilities:	
Current and Other Liabilities	\$ 8,667
Long-Term Liabilities	17,650
<i>Total Liabilities</i>	26,317
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	\$ (1,275)
Restricted	1,350
Unrestricted	1,806
<i>Total</i>	\$ 1,881

Table 2 reflects the changes in net assets for fiscal year 2003. This is the first year of implementation for GASB 34. Comparative figures are not available for fiscal year 2002. A comparative analysis will be provided in future years when prior year information is available.

Table 2
Change in Net Assets
(In Thousands)
Governmental Activities

	2003
Revenues:	
Program Revenues:	
Charges for Services and Sales	\$ 1,121
Operating Grants, Contributions and Interest	306
Capital Grants and Contributions	23
<i>Total Program Revenues</i>	1,450
General Revenues:	
Property Taxes	7,488
Grants and Entitlements	3,281
Tax Abatements	1,249
Interest	93
Gifts and Donations	2
Miscellaneous	101
<i>Total General Revenues</i>	12,214
<i>Total Revenues</i>	13,664

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

Expenses:	
Program Expenditures:	
Instruction	8,092
Support Services:	
Pupils	463
Instructional Staff	312
Board of Education	41
Administration	796
Fiscal	325
Operation and Maintenance of Plant	1,325
Pupil Transportation	516
Non-Instructional	419
Extracurricular Activities	489
Capital Outlay	372
Interest and Fiscal Charges	987
<i>Total Expenses</i>	<u>14,137</u>
<i>Change in Net Assets</i>	<u>\$ (473)</u>

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. Comparisons to 2002 have not been presented since they are not available.

Table 3
Governmental Activities
(In Thousands)

	Total Cost of Services	Net Cost of Services
	<u>2003</u>	<u>2003</u>
Program Expenses:		
Instruction	\$ 8,092	\$ 7,357
Support Services:		
Pupils	463	400
Instructional Staff	312	293
Board of Education	41	41
Administration	796	793
Fiscal	325	325
Operation and Maintenance of Plant	1,325	1,325
Pupil Transportation	516	516
Non-Instructional	419	48
Extracurricular Activities	489	230
Capital Outlay	372	372
Interest and Fiscal Charges	987	987
<i>Total Expenses</i>	<u>\$ 14,137</u>	<u>\$ 12,687</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 91 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 89 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General fund and the Bond Retirement fund. Total governmental funds had revenues of \$16,823,200 and expenditures of \$17,452,972. The net change of (\$629,772) in fund balance for the year indicates that the District expended more than the revenues received for the current year.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2003, the District amended its General Fund budget as needed.

Final budgeted revenues and other financing sources were \$11,219,729, above original budget estimates of \$10,523,269. Of this \$696,460 difference, most was due to conservative intergovernmental estimates in the original budget.

Final expenditures were budgeted at \$12,139,852 while actual expenditures were \$10,807,757. The \$1,332,095 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year. Actual General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$15,033. During fiscal year 2003, interest revenue decreased significantly due to the declining economy. Open enrollment dollars were also recorded as gross receipts for incoming students and expenditures for outgoing students, a change from prior fiscal years.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the District had \$13,621,405 invested in capital assets (net of accumulated depreciation) for governmental activities, decrease of 1.5 percent from the beginning of the year. For further information regarding the District's capital assets see, notes to the basic financial statements.

Debt

At June 30, 2003, the District's long – term obligations which include general obligation bonds payable and compensated absences were \$17,650,702, down 2.4 percent from the beginning of the year.

The bonds payable were issued for a twenty-six year period, with final maturity on December 1, 2026. The bonds are being retired through the Bond Retirement fund.

At June 30, 2003, the District's overall legal debt margin was \$6,143,131, with an un-voted debt margin of \$242,835.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

For further information regarding the District's debt see the notes to the basic financial statements.

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. Archbold is a small rural community of 3,800 people in Northwest Ohio. It has a number of small businesses and several industrial manufacturing companies with agriculture being an important part of the economy.

The District is currently operating in the first year of the state biennium budget. According to the 2003 Local District Report Card, 69.3 percent of district revenue sources are from local funds, 28.1 percent from state funds and the remaining 2.6 percent is from federal funds. The total expenditure per pupil was calculated at \$7,907, which is a \$1,704 increase from the 1999 report card.

In 1993, the District passed a 4.8 mill continuing operating levy. This levy provides a continuous source of funds for the financial operations and stability of the District. The District's future finances will be affected by state funding for schools in light of the eleven year old DeRolph court case and the long – term effects of public utility deregulation as well as the reduction of personal property for business inventory.

Due to the passage of HB 95, the District will be experiencing a significant loss of personal tangible property (inventory) value over the next nine years. Nearly \$28,000,000 of taxable value (34% of total personal property) will be lost by 2013 equating to an estimated revenue loss of \$1,200,000 by 2013.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jean Stamm, Treasurer, Archbold Area Local School District, 600 Lafayette St., Archbold, Ohio 43502.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Assets
June 30, 2003**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 6,043,321
Accounts Receivable	68,122
Accrued Interest Receivable	1,971
Prepaid Items	10,605
Materials and Supplies Inventory	29,957
Taxes Receivable	8,387,842
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	35,028
Non-Depreciable Capital Assets	726,418
Depreciable Capital Assets, net	12,894,987
<i>Total Assets</i>	28,198,251
Liabilities:	
Accounts Payable	25,953
Accrued Wages and Benefits	1,167,624
Intergovernmental Payable	395,263
Matured Compensated Absences Payable	22,955
Deferred Revenue	7,055,070
Long-Term Liabilities:	
Due Within One Year	1,035,895
Due in More Than One Year	16,614,807
<i>Total Liabilities</i>	26,317,567
Net Assets:	
Invested in Capital Assets, Net of Related Debt	(1,274,986)
Restricted for Debt Service	1,150,723
Restricted for Capital Outlay	54,023
Restricted for Other Purposes	144,893
Unrestricted	1,806,031
<i>Total Net Assets</i>	\$ 1,880,684

See accompanying notes to the basic financial statements.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2003**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 6,895,622	\$ 569,334	\$ 41,470	\$ 23,719	\$ (6,261,099)
Special	952,477	-	99,308	-	(853,169)
Vocational	198,058	-	-	-	(198,058)
Adult/Continuing	2,000	-	2,000	-	-
Other	44,301	-	-	-	(44,301)
Support Services:					
Pupils	463,118	-	62,959	-	(400,159)
Instructional Staff	312,060	-	18,959	-	(293,101)
Board of Education	40,525	-	-	-	(40,525)
Administration	795,454	-	2,698	-	(792,756)
Fiscal	325,109	-	17	-	(325,092)
Operation and Maintenance of Plant	1,325,103	-	-	-	(1,325,103)
Pupil Transportation	515,777	-	-	-	(515,777)
Operation of Non-Instructional Services	419,388	292,840	77,985	-	(48,563)
Extracurricular Activities	488,816	258,417	-	-	(230,399)
Capital Outlay	371,992	-	-	-	(371,992)
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	987,085	-	-	-	(987,085)
Other Financing Uses:					
Refund of Prior Year Receipts	101	-	-	-	(101)
Totals	\$ 14,136,986	\$ 1,120,591	\$ 305,396	\$ 23,719	(12,687,280)

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	5,844,755
Property Taxes, Levied for Debt Service	1,643,331
Grants and Entitlements not Restricted to Specific Programs	3,281,265
Tax Abatements	1,248,496
Gifts and Donations	2,000
Investment Earnings	92,727
Miscellaneous	94,696
Refund of Prior Year Expenditures	38
Other Financing Sources	6,194
Total General Revenues	12,213,502
Change in Net Assets	(473,778)
<i>Net Assets Beginning of Year</i>	2,354,462
<i>Net Assets End of Year</i>	\$ 1,880,684

See accompanying notes to the basic financial statements.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
As of June 30, 2003**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 4,920,304	\$ 878,804	\$ 244,213	\$ 6,043,321
Accounts Receivable	20,445	-	47,677	68,122
Accrued Interest Receivable	1,930	-	41	1,971
Prepaid Items	10,605	-	-	10,605
Materials and Supplies Inventory	16,878	-	13,079	29,957
Taxes Receivable	6,600,604	1,787,238	-	8,387,842
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	35,028	-	-	35,028
Total Assets	<u>\$ 11,605,794</u>	<u>\$ 2,666,042</u>	<u>\$ 305,010</u>	<u>\$ 14,576,846</u>
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 19,214	\$ -	\$ 6,739	\$ 25,953
Accrued Wages and Benefits	1,153,119	-	14,505	1,167,624
Intergovernmental Payable	314,282	-	3,924	318,206
Matured Compensated Absences Payable	22,955	-	-	22,955
Deferred Revenue	5,550,971	1,519,107	-	7,070,078
Total Liabilities	<u>7,060,541</u>	<u>1,519,107</u>	<u>25,168</u>	<u>8,604,816</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	36,568	-	15,783	52,351
Reserved for Inventory	-	-	13,079	13,079
Reserved for Prepaid Items	10,605	-	-	10,605
Reserved for Property Taxes	317,442	115,544	-	432,986
Reserved for Budget Stabilization	35,028	-	-	35,028
Unreserved, Undesignated, Reported in:				
General Fund	4,145,610	-	-	4,145,610
Special Revenue Funds	-	-	149,507	149,507
Debt Service Funds	-	1,031,391	-	1,031,391
Capital Projects Funds	-	-	101,473	101,473
Total Fund Balances	<u>4,545,253</u>	<u>1,146,935</u>	<u>279,842</u>	<u>5,972,030</u>
Total Liabilities and Fund Balances	<u>\$ 11,605,794</u>	<u>\$ 2,666,042</u>	<u>\$ 305,010</u>	<u>\$ 14,576,846</u>

See accompanying notes to the basic financial statements.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2003**

Total Governmental Fund Balances		\$ 5,972,030
 <i>Amounts reported for governmental activities on the statement of net assets are different because of the following:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		13,621,405
Taxes Receivable that do not provide current financial resources are not reported as revenues in governmental fund.		15,008
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(77,057)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(16,590,851)	
Compensated Absences Payable	(1,059,851)	
	(17,650,702)	(17,650,702)
<i>Net Assets of Governmental Activities</i>		\$ 1,880,684

See accompanying notes to the basic financial statements.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 5,833,535	\$ 1,639,543	\$ -	\$ 7,473,078
Intergovernmental	3,081,116	125,028	404,236	3,610,380
Interest	89,283	-	3,444	92,727
Tuition and Fees	499,361	-	21,721	521,082
Rent	25,437	-	-	25,437
Extracurricular Activities	-	-	258,417	258,417
Gifts and Donations	2,000	-	-	2,000
Customer Sales and Services	-	-	314,610	314,610
Tax Abatements	1,248,496	-	-	1,248,496
Miscellaneous	29,170	-	66,571	95,741
<i>Total Revenues</i>	<u>10,808,398</u>	<u>1,764,571</u>	<u>1,068,999</u>	<u>13,641,968</u>
Expenditures				
Current:				
Instruction:				
Regular	6,277,469	-	107,610	6,385,079
Special	789,960	-	101,228	891,188
Vocational	153,507	-	485	153,992
Adult/Continuing	-	-	2,000	2,000
Other	44,301	-	-	44,301
Support Services:				
Pupils	391,176	-	61,449	452,625
Instructional Staff	285,194	-	28,736	313,930
Board of Education	40,525	-	-	40,525
Administration	767,692	-	3,566	771,258
Fiscal	281,029	37,152	17	318,198
Operation and Maintenance of Plant	1,441,711	-	-	1,441,711
Pupil Transportation	464,468	-	129,040	593,508
Operation of Non-Instructional Services	-	-	388,341	388,341
Extracurricular Activities	227,282	-	276,944	504,226
Capital Outlay	37,190	-	334,802	371,992
Debt Service:				
Principal	-	3,900,000	-	3,900,000
Interest	-	749,997	-	749,997
<i>Total Expenditures</i>	<u>11,201,504</u>	<u>4,687,149</u>	<u>1,434,218</u>	<u>17,322,871</u>
<i>Excess of Expenditures Over Revenues</i>	<u>(393,106)</u>	<u>(2,922,578)</u>	<u>(365,219)</u>	<u>(3,680,903)</u>
Other Financing Sources and (Uses)				
Transfers In	-	-	130,000	130,000
General Obligation Bonds Issued	-	3,045,000	-	3,045,000
Refund of Prior Year Expenditures	38	-	-	38
Other Financing Sources	-	6,194	-	6,194
Transfers Out	-	-	(130,000)	(130,000)
Refund of Prior Year Receipts	-	-	(101)	(101)
<i>Total Other Financing Sources and (Uses)</i>	<u>38</u>	<u>3,051,194</u>	<u>(101)</u>	<u>3,051,131</u>
<i>Net Change in Fund Balances</i>	<u>(393,068)</u>	<u>128,616</u>	<u>(365,320)</u>	<u>(629,772)</u>
<i>Fund Balances at Beginning of Year</i>	<u>4,938,321</u>	<u>1,018,319</u>	<u>645,162</u>	<u>6,601,802</u>
<i>Fund Balances at End of Year</i>	<u>\$ 4,545,253</u>	<u>\$ 1,146,935</u>	<u>\$ 279,842</u>	<u>\$ 5,972,030</u>

See accompanying notes to the basic financial statements.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003**

Net Change in Fund Balances - Total Governmental Funds \$ (629,772)

***Amounts reported for governmental activities on the
statement of activities are different because of the following:***

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	672,567	
Depreciation	<u>(883,068)</u>	(210,501)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Delinquent Property Taxes		15,008
---------------------------	--	--------

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

855,000

Interest charges reported on the statement of activities, that do not require the use of current financial resources, are not reported as expenditures in governmental funds.

(237,088)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(23,649)	
Compensated Absences Payable	<u>(242,776)</u>	<u>(266,425)</u>

Change in Net Assets of Governmental Activities **\$ (473,778)**

See accompanying notes to the basic financial statements.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual Comparison
General Fund
For the Fiscal Year Ended June 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property and Other Local Taxes	\$ 5,750,000	\$ 5,864,568	\$ 5,864,568	\$ -
Intergovernmental	3,069,498	3,469,218	3,081,116	(388,102)
Interest	170,000	85,758	88,516	2,758
Tuition and Fees	429,771	499,879	499,879	-
Rent	10,000	7,962	7,962	-
Gifts and Donations		2,000	2,000	-
Tax Abatements	1,050,000	1,248,496	1,248,496	-
Miscellaneous	42,000	41,810	30,215	(11,595)
<i>Total Revenues</i>	<u>10,521,269</u>	<u>11,219,691</u>	<u>10,822,752</u>	<u>(396,939)</u>
Expenditures				
Current:				
Instruction:				
Regular	6,227,701	6,287,736	6,008,160	279,576
Special	685,957	702,962	698,476	4,486
Vocational	176,725	176,725	156,380	20,345
Other	49,272	49,272	44,301	4,971
Support Services:				
Pupils	396,287	396,787	374,377	22,410
Instructional Staff	320,170	320,670	272,630	48,040
Board of Education	45,066	51,816	45,189	6,627
Administration	789,114	790,614	744,650	45,964
Fiscal	299,800	299,800	272,078	27,722
Operation and Maintenance of Plant	1,964,164	1,924,164	1,477,280	446,884
Pupil Transportation	594,106	594,106	457,949	136,157
Extracurricular Activities	257,200	257,200	219,097	38,103
Capital Outlay	33,000	38,000	37,190	810
<i>Total Expenditures</i>	<u>11,838,562</u>	<u>11,889,852</u>	<u>10,807,757</u>	<u>1,082,095</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,317,293)</u>	<u>(670,161)</u>	<u>14,995</u>	<u>685,156</u>
Other Financing Sources and (Uses)				
Proceeds from Sale of Fixed Assets	2,000	-	-	-
Refund of Prior Year Expenditures	-	38	38	-
Transfers Out	(50,000)	(50,000)	-	(50,000)
Other Financing Uses	(200,000)	(200,000)	-	(200,000)
<i>Total Other Financing Sources and (Uses)</i>	<u>(248,000)</u>	<u>(249,962)</u>	<u>38</u>	<u>(250,000)</u>
<i>Net Change in Fund Balances</i>	(1,565,293)	(920,123)	15,033	435,156
<i>Fund Balance at Beginning of Year</i>	4,809,269	4,809,269	4,809,269	-
Prior Year Encumbrances Appropriated	75,247	75,247	75,247	-
<i>Fund Balance at End of Year</i>	<u>\$ 3,319,223</u>	<u>\$ 3,964,393</u>	<u>\$ 4,899,549</u>	<u>\$ 435,156</u>

See accompanying notes to the basic financial statements.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$ 582	\$ 41,011
Investments	<u>47,811</u>	<u>-</u>
<i>Total Assets</i>	<u>48,393</u>	<u>41,011</u>
Liabilities		
<i>Current Liabilities:</i>		
Undistributed Monies	<u>-</u>	<u>41,011</u>
<i>Total Liabilities</i>	<u>-</u>	<u>41,011</u>
Net Assets		
Held in Trust for Scholarships	<u>48,393</u>	<u>-</u>
<i>Total Net Assets</i>	<u><u>\$ 48,393</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.

ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2003

	<u>Private Purpose Trust</u>
Additions	
Interest	\$ 1,437
Deductions	
Payments in Accordance with Trust Agreements	<u>950</u>
<i>Change in Net Assets</i>	487
<i>Net Assets Beginning of Year</i>	<u>47,906</u>
<i>Net Assets End of Year</i>	<u>\$ 48,393</u>

See accompanying notes to the basic financial statements.

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Archbold Area Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The 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 District is the 379th largest in the State of Ohio (among 612 Districts) in terms of enrollment. It is staffed by 61 classified employees and 100 certified teaching personnel, who provide services to 1,483 students and other community members. The board oversees the operations of the District's four instructional/support facilities.

The Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the District.

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 16, 17, and 18 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District has two major governmental funds.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

The other governmental funds of the District account for grants, other resources and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's private purpose trust fund accounts for a program to assist students in attending music camp. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations. The District's agency funds account for various student managed activities.

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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 a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the object level within each function and fund. Any budgetary modifications at this level may only be made by the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2003, 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 2003, was \$89,283 for the General fund, which includes \$17,857 assigned from other funds, \$3,444 for the Permanent Improvement fund and \$1,532 for the Winzeler Trust fund.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, purchased food, and school supplies held for resale and are expensed when used. The cost of inventory items is recorded as an expenditure when purchased.

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization.

I. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. For fiscal year 2003, the District changed its capitalization threshold from \$300 to \$3,000. The District does not possess any infrastructure. Improvements are capitalized; the costs 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 capital assets is also not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	15 - 30 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net assets.

K. 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
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

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.

The entire compensated absences liability is reported on the government – wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the amount "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated paid leave are paid. The noncurrent portion of the liability is not reported.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specific purposes.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. 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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

is available for appropriation in future periods. Fund reserves have been established for inventory, prepaid items, property taxes, budget stabilization, and encumbrances.

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 monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

O. Interfund Transactions

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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

P. Prepaid Items

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both the government – wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

Q. 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.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2003.

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year 2003, the District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB No. 38, "Certain Financial Statement Note Disclosures",

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by fund type. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

On the government – wide financial statements, the beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements 37, and 38.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The District restated the fund liability of compensated absences that had not matured during fiscal year 2003.

For fiscal year 2003, the District has increased the threshold amount for capitalization of capital assets. The threshold amount was increased from \$300 to \$3,000. See Note 9.

B. Restatement of Fund Balance

The restatements for the above statements had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

	General	Bond Retirement	Nonmajor Governmental	Total Governmental Activities
Fund Balance June 30, 2002	\$ 4,796,319	\$ 1,018,319	\$ 691,826	\$ 6,506,464
GASB Statement 34 Adjustment:				
Change in Fund Structure			(46,664)	(46,664)
Interpretation 6 Adjustments:				
Compensated Absences Payable	142,002			142,002
Adjusted Fund Balance	<u>\$ 4,938,321</u>	<u>\$ 1,018,319</u>	<u>\$ 645,162</u>	6,601,802
GASB 34 Adjustments:				
Capital Assets				13,831,906
Long-Term Liabilities				<u>(18,079,246)</u>
Governmental Activities Net Assets at June 30, 2002				<u>\$ 2,354,462</u>

The restatement of the business – type activity is as follows:

	Business - Type Activity
Retained Earnings, June 30, 2002	\$ 14,644
Modified Accrual Adjustment:	
Fixed Assets (Net)	<u>(61,308)</u>
Adjusted Fund Equity, June 30, 2002	(46,664)
GASB Statement 34 Adjustment:	
Change in Fund Structure	<u>46,664</u>
Adjusted Net Assets at June 30, 2002	<u>\$ -</u>

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2003, the Miscellaneous Federal Grant fund, a special revenue fund, had a deficit fund balance of \$128 resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit fund balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

Seventeen percent of the transactions tested were not properly certified by the fiscal officer at the time that the commitment was incurred, contrary to the requirements of the Revised Code. The District will continue to use blanket purchase orders, super blanket purchase orders and “then” and “now” certifications as a means to properly certify its expenditures.

5. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$ (393,068)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2002, Received In Cash FY 2003	1,086,362
Accrued FY 2003, Not Yet Received in Cash	(1,072,008)
Expenditure Accruals:	
Accrued FY 2002, Paid in Cash FY 2003	(1,032,557)
Accrued FY 2003, Not Yet Paid in Cash	1,482,087
Encumbrances Outstanding at Year End (Budget Basis)	(55,783)
Budget Basis	<u><u>\$ 15,033</u></u>

6. DEPOSITS AND INVESTMENTS

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

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

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

Interim 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

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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 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 \$6,167,678 and the bank balance was \$6,225,583. Of the bank balance, \$223,680 was covered by Federal Depository Insurance and \$6,001,903 was uninsured and uncollateralized. Although the securities serving as collateral were held

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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 basic 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 basic 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	\$ 6,119,942	\$ 47,811
Certificate of Deposit	47,811	(47,811)
Cash on Hand	(75)	-
GASB Statement 3	\$ 6,167,678	\$ -

7. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes for 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2003 were levied after April 1, 2002, on the assessed values as of December 31, 2001, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes for 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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The District receives property taxes from Fulton and Henry Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2003 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2003, was \$317,442 in the General Fund, and \$115,544 in the Debt Service Fund. The amount available as an advance at June 30, 2002, was \$1,080,666 in the General Fund and \$265,220 in the Debt Service Fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 90,634,890	43%	\$ 102,341,330	42%
Industrial/Commercial	39,860,880	19%	49,366,680	20%
Public Utility	9,473,660	4%	9,200,090	4%
Tangible Personal	71,900,565	34%	81,927,210	34%
Total Assessed Value	<u>\$ 211,869,995</u>	<u>100%</u>	<u>\$ 242,835,310</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$48.25		\$48.25	

8. RECEIVABLES

Receivables at June 30, 2003, consisted of property tax, accounts (rent and student fees), and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. As of June 30, 2003, the District did not have any intergovernmental receivables.

9. CAPITAL ASSETS

The Capital asset balances have been restated due to a change in the District's fixed asset capitalization policy. In addition, in prior years \$138,699 was erroneously classified as land rather than buildings and building improvements. The effect of these adjustments are as follows:

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<u>Governmental Activities</u>	Balance 6/30/2002	Adjustments	Restated Balance 6/30/2002
Nondepreciable Capital Assets:			
Land	\$ 865,117	\$ (138,699)	\$ 726,418
Construction in Progress	2,218,486		2,218,486
Depreciable Capital Assets:			
Land Improvements	48,500		48,500
Buildings and Building Improvements	19,191,390	58,537	19,249,927
Furniture, Fixtures and Equipment	3,338,423	(2,116,536)	1,221,887
Vehicles	807,394	(1)	807,393
Books	320,515	(69,556)	250,959
Total Capital Assets	<u>26,789,825</u>	<u>(2,266,255)</u>	<u>24,523,570</u>
Less: Accumulated Depreciation	<u>-</u>	<u>(10,691,664)</u>	<u>(10,691,664)</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 26,789,825</u></u>	<u><u>\$ (12,957,919)</u></u>	<u><u>\$ 13,831,906</u></u>

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

<u>Governmental Activities</u>	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
Nondepreciable Capital Assets:				
Land	\$ 726,418	\$ -	\$ -	\$ 726,418
Construction in Progress	2,218,486	167,632	2,386,118	-
Depreciable Capital Assets:				
Land Improvements	48,500	120,752	48,500	120,752
Buildings and Building Improvements	19,249,927	2,556,370	-	21,806,297
Furniture, Fixtures, and Equipment	1,221,887	85,406	8,515	1,298,778
Vehicles	807,393	142,010	44,597	904,806
Books	250,959	4,099	-	255,058
Totals	<u>21,578,666</u>	<u>2,908,637</u>	<u>101,612</u>	<u>24,385,691</u>
Less Accumulated Depreciation				
Land Improvements	39,764	135	36,510	3,389
Buildings and Building Improvements	8,911,999	738,532	-	9,650,531
Furniture, Fixtures, and Equipment	879,579	78,989	7,204	951,364
Vehicles	705,436	53,412	40,314	718,534
Books	154,886	12,000	-	166,886
Total Accumulated Depreciation	<u>10,691,664</u>	<u>883,068</u>	<u>84,028</u>	<u>11,490,704</u>
Depreciable Capital Assets, Net	<u>10,887,002</u>	<u>2,025,569</u>	<u>17,584</u>	<u>12,894,987</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 13,831,906</u></u>	<u><u>\$ 2,193,201</u></u>	<u><u>\$ 2,403,702</u></u>	<u><u>\$ 13,621,405</u></u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 682,422
Special	54,914
Vocational	40,188
Support Services:	
Pupil	
Instructional Staff	12,461
Administration	
Fiscal	1,080
Operation and Maintenance of Plant	38,626
Pupil Transportation	39,871
Operations of Non-Instruction	3,213
Extracurricular	10,293
Total Depreciation Expense	\$ 883,068

10. 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 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 Districts is calculated as one experience and a common premium rate is applied to all 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.

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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.

11. 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, for fiscal year 2003; 8.17 percent was the portion to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$99,500, \$71,015, and \$60,675 respectively; 52 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003 is \$48,102.

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 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; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 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, 2003, 2002, and 2001 were \$822,054, \$595,787, and \$438,273, respectively; 87 percent has been contributed for

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fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003 is \$109,872.

12. 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.

13. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Stabilization Fund. Effective July 1, 2002, 1 percent of covered payroll will be allocated to the fund. For the District, this amount equaled \$63,235 for fiscal year 2003.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000. There were 105,300 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2003, the allocation rate is 5.83 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2003, the minimum pay has been established as \$14,500. For the District, the amount to fund health care, including the surcharge, was \$85,504 for fiscal year 2003.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was

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\$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$335.2 million. The number of participants currently receiving health care benefits is approximately 50,000.

14. 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, 2003 the current amount of unpaid compensated absences in all funds was \$22,955, and the long-term amount was \$1,059,851.

15. LONG-TERM OBLIGATIONS

During the year ended June 30, 2003 the following changes occurred in obligations reported in the Government-wide Financial Statements:

	Balance at 6/30/2002	Additions	Deductions	Balance at 6/30/2003	Due Within One Year
School facilities construction and improvement bonds:					
Series 1992:					
Current interest bonds	\$ 3,560,000	\$ -	\$ 3,560,000	\$ -	\$ -
Capital appreciation bonds	<u>1,665,779</u>	<u>146,081</u>	<u>-</u>	<u>1,811,860</u>	<u>499,714</u>
Total Series 1992	<u>5,225,779</u>	<u>146,081</u>	<u>3,560,000</u>	<u>1,811,860</u>	<u>499,714</u>
Series 1996:					
Current interest bonds	\$ 7,980,000	\$ -	\$ 300,000	\$ 7,680,000	\$ 315,000
Capital appreciation bonds	<u>707,276</u>	<u>65,299</u>	<u>-</u>	<u>772,575</u>	<u>-</u>
Total Series 1996	<u>8,687,276</u>	<u>65,299</u>	<u>300,000</u>	<u>8,452,575</u>	<u>315,000</u>
Series 2001:					
Current interest bonds	3,125,000	-	40,000	3,085,000	80,000
Capital appreciation bonds	<u>170,708</u>	<u>25,708</u>	<u>-</u>	<u>196,416</u>	<u>-</u>
Total Series 2001	<u>3,295,708</u>	<u>25,708</u>	<u>40,000</u>	<u>3,281,416</u>	<u>80,000</u>
Series 2002:					
Current interest bonds	-	2,610,000	-	2,610,000	40,000
Capital appreciation bonds	<u>-</u>	<u>435,000</u>	<u>-</u>	<u>435,000</u>	<u>-</u>
Total Series 2002	<u>-</u>	<u>3,045,000</u>	<u>-</u>	<u>3,045,000</u>	<u>40,000</u>
Total General obligations bonds	<u>\$ 17,208,763</u>	<u>\$ 3,282,088</u>	<u>\$ 3,900,000</u>	<u>\$ 16,590,851</u>	<u>\$ 934,714</u>

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	Balance at 6/30/2002	Additions	Deductions	Balance at 6/30/2003	Due Within One Year
General obligations bonds	\$ 17,208,763	\$ 3,282,088	\$ 3,900,000	\$ 16,590,851	\$ 934,714
Intergovernmental payable	53,408	-	53,408	-	-
Compensated absences payable	817,075	1,059,851	817,075	1,059,851	101,181
Total	<u>\$ 18,079,246</u>	<u>\$ 4,341,939</u>	<u>\$ 4,770,483</u>	<u>\$ 17,650,702</u>	<u>\$ 1,035,895</u>

School Improvement Replacement Bonds – 1992

Proceeds from the outstanding bonds were used for the purpose of advance refunding a portion of the school building construction and improvement bonds, dated November 1, 1998. The bonds were issued on August 1, 1992. The bonds consisted of \$5,850,000 in current interest bonds (\$2,805,000 issued as serial bonds and \$3,045,000 issued as term bonds) and \$204,976 in capital appreciation bonds. All current interest serial bonds had been retired as December 1, 2002. The term bonds were refunded in advance on December 1, 2002 with replacement bonds issued on November 26, 2002.

The capital appreciation bonds mature on December 1 in the years have the original principal amounts and the accreted values at maturity, as follows:

Maturity Date	Original Principal Amount	Accreted Value at Maturity
2003	\$ 56,570	\$ 540,000
2004	52,845	540,000
2005	49,720	545,000
2006	45,841	540,000

The value of the capital appreciation bonds at June 30, 2003 was \$1,811,860. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$1,606,884 has been included in the value. The bonds are being retired through the Bond Retirement debt service fund.

School Facilities Construction and Improvement Bonds - 1996

Proceeds from the outstanding bonds were used for the purpose of renovating, repairing and improving existing school buildings and facilities, including improving access for the disabled, and construction of an elementary school. These bonds were issued on June 26, 1996. The bonds consisted of \$9,010,000 in current interest bonds (\$3,450,000 issued as serial bonds and \$5,560,000 issued as term bonds) and \$380,782 in capital appreciation bonds.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

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Maturity Date	Principal Amount	Interest Rate
1997	\$ 165,000	3.80%
1998	185,000	4.20%
1999	205,000	4.45%
2000	220,000	4.65%
2001	255,000	4.75%
2002	300,000	4.85%
2003	315,000	4.95%
2007	325,000	5.35%
2008	340,000	5.45%
2009	360,000	5.55%
2010	380,000	5.65%
2011	400,000	5.75%

The term bonds which mature on December 1, 2016 have interest rates of 5.9 percent per year, and are subject to mandatory sinking fund redemption on December 1 in the following years in the aggregate principal amounts below:

Year	Principal Amount to be Redeemed
2012	\$ 425,000
2013	450,000
2014	475,000
2015	505,000
2016	530,000

The term bonds which mature on December 1, 2021 have interest rates of 6 percent per year, and are subject to mandatory sinking fund redemption on December 1 in the following years in the aggregate principal amounts below:

Year	Principal Amount to be Redeemed
2017	\$ 565,000
2018	595,000
2019	635,000
2020	670,000
2021	710,000

The current interest bonds maturing on December 1, 2007 are subject to redemption at the option of the District, either in whole on any date or in part on any interest payment date on or after December 1, 2006, at the redemption prices equal to the following percentages of the principal amount redeemed plus accrued interest to the redemption date:

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Redemption Date (Dates Inclusive)	Redemption Prices
December 1, 2006 through November 30, 2007	102%
December 1, 2007 through November 30, 2008	101%
December 1, 2008 and thereafter	100%

When partial redemption is authorized, the current interest bonds or portions thereof will be selected by lot within a maturity in such manner as the paying agent and registrar may determine, provided, however, that the portion of any current interest bond so selected will be in the amount of \$5,000 or any integral multiple.

The capital appreciation bonds were issued in the aggregate original principal amount of \$380,782 and mature on December 1 in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

Maturity Date	Original Principal Amount	Accreted Value at Maturity
2004	\$ 136,094	\$ 325,000
2005	126,106	320,000
2006	118,582	320,000

The value of the capital appreciation bonds reported at June 30, 2003 was 772,575. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$391,793 has been included in the value. The bonds are being retired through the Bond Retirement debt service fund.

School Facilities Construction and Improvement Bonds – 2001

Proceeds from the outstanding bonds were used for the purpose of constructing additions to and renovating and improving existing school buildings and facilities at the high school. These bonds were issued on March 22, 2001. The bonds consisted of \$3,155,000 in current interest bonds (\$475,000 issued as serial bonds and \$2,680,000 issued as term bonds) and \$145,000 in capital appreciation bonds.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

Maturity Date	Principal Amount	Interest Rate
2001	\$ 30,000	3.40%
2002	40,000	3.55%
2003	80,000	3.65%
2004	45,000	3.70%
2005	60,000	3.80%
2006	100,000	3.90%
2007	120,000	4.00%

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

The term bonds which mature on December 1, 2012 have interest rates of 4.4 percent per year, and are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years in the aggregate principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2011	\$ 125,000
2012	135,000

The term bonds which mature on December 1, 2014 have interest rates of 4.6 percent per year, and are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years in the aggregate principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2013	\$ 140,000
2014	145,000

The term bonds which mature on December 1, 2016 have interest rates of 4.75 percent per year, and are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2015	\$ 150,000
2016	160,000

The term bonds which mature on December 1, 2018 have interest rates of 4.85 percent per year, and are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2017	\$ 165,000
2018	175,000

The term bonds which mature on December 1, 2020 have interest rates of 5 percent per year, and are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2019	\$ 185,000
2020	190,000

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

The term bonds which mature on December 1, 2025 have interest rates of 5.125 percent per year, and are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2021	\$ 200,000
2022	210,000
2023	220,000
2024	235,000
2025	245,000

The current interest bonds maturing on or after December 1, 2011 are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine on any interest payment date on or after June 1, 2011, at 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption. When partial redemption is authorized, the current interest bonds or portions thereof will be selected by lot within a maturity in such manner as the bond registrar may determine, provided, however, that the portion of any such bond so selected will be in the amount of \$5,000 or any integral multiple.

The capital appreciation bonds were issued in the aggregate original principal amount of \$145,000 and mature on December 1 in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2008	\$ 50,000	\$ 75,000
2009	50,000	75,000
2010	45,000	80,000

The value of the capital appreciation bonds reported at June 30, 2003 was 196,416. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$51,416 has been included in the value. The bonds are being retired through the Bond Retirement debt service fund.

School Improvement Replacement Bonds – 2002

Proceeds from the outstanding bonds were used for the purpose of refunding a portion of general obligation refunding bonds, dated August 1, 1992, which were issued for the purpose of advance refunding a portion of the school building construction and improvement bonds dated November 1, 1998. The bonds were issued on November 26, 2002. The bonds consisted of \$2,610,000 in current interest serial bonds and \$435,000 in capital appreciation bonds.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

Maturity Date	Principal Amount	Interest Rate
2003	\$ 40,000	2.00%
2004	40,000	2.00%
2005	40,000	2.00%
2006	40,000	2.35%
2008	585,000	3.00%
2009	600,000	3.15%
2010	625,000	3.40%
2011	640,000	4.00%

These bonds are not subject to redemption prior to the stated maturity.

The capital appreciation bonds were issued in the aggregate original principal amount of \$435,000 and mature on December 1, 2007 with an accreted values of \$585,000. The value of the capital appreciation bonds reported at June 30, 2003 was \$435,000. The annual accretion of interest is based on the straight-line method. The bonds are being retired through the Bond Retirement debt service fund.

The scheduled payments of principal and interest on debt outstanding at June 30, 2003 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$ 934,714	\$ 565,905	\$ 1,500,619
2005	827,826	639,196	1,467,022
2006	794,238	681,985	1,476,223
2007	787,657	727,695	1,515,352
2008	880,000	664,883	1,544,883
2009 - 2013	4,811,416	2,050,825	6,862,241
2014 - 2018	3,285,000	1,763,839	5,048,839
2019 - 2023	3,570,000	708,463	4,278,463
2024 - 2026	700,000	55,094	755,094
Total	<u>\$ 16,590,851</u>	<u>\$ 7,857,885</u>	<u>\$ 24,448,736</u>

16. 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 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 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 \$34,590. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(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 \$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 Districts; one representative from each of the exempted village Districts. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village Districts, five local Districts, and five city 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., P.O. Box 456, Ashland, Ohio 44805.

17. 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 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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

Trustees. Financial information can be obtained from the Archbold Community Library, Marilyn Freytag, Clerk/Treasurer, at 205 Stryker Street, Archbold, Ohio 43502.

18. 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 \$929,971. 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 \$1,064 to the WCGRP to cover the costs of administering the program.

C. Ohio School Plan

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under § 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

19. 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 2003, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

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 Balance as of June 30, 2002	\$ (230,274)	\$ -	\$ 35,028	\$ (195,246)
Current Year Set-aside Requirement	191,049	191,049	-	382,098
Qualifying Disbursements	(368,942)	(282,882)	-	(651,824)
Set-aside Balance as of June 30, 2003	<u>\$ (408,167)</u>	<u>\$ (91,833)</u>	<u>\$ 35,028</u>	<u>\$ (464,972)</u>
Set-aside Amounts Carried Forward to Fiscal Year 2004	<u>\$ (408,167)</u>	<u>\$ -</u>	<u>\$ 35,028</u>	<u>\$ (373,139)</u>
Total Restricted Assets			<u>\$ 35,028</u>	<u>\$ 35,028</u>

20. SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

21. INTERFUND TRANSFERS

During the year ended June 30, 2003, the District transferred \$130,000 from one Non-major Governmental Fund to another Non-major Governmental Fund. This transfer was made to move the unexpended balance of the building fund after payment of all obligations incurred related to a construction project at the high school facility.

22. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

B. Litigation

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, Fulton County, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 23, 2004, in which we noted the District adopted Governmental Accounting Standard Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and modified the capitalization threshold for its capital assets. 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 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 2003-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 23, 2004.

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

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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 February 23, 2004.

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.

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

Betty Montgomery
Auditor of State

February 23, 2004

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Schedule of Findings
June 30, 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER: 2003-001

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 (\$3,000 after April 7, 2003) 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 (\$3,000 after April 7, 2003), 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.

The Treasurer did not make the proper certification of funds for seventeen percent of the transactions tested during the audit period. We recommend prior certification of all expenditures, but when prior certification is not possible "then and now" certificates should be utilized.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Schedule of Prior Audit Findings
June 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10126-001	ORC § 5705.41 (D) improper certification of expenditures by the fiscal officer.	No	Not corrected. Repeated as finding number 2003-001.



**Auditor of State
Betty Montgomery**

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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
MARCH 16, 2004**