



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education

We have audited the accompanying general-purpose financial statements of Archbold Area Local School District (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Archbold Area Local School District, Fulton County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 12, 2002

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,616,566	\$192,600	\$753,099	\$639,210
Cash with Fiscal and Escrow Agents				178,196
Investments	232,922			
Receivables:				
Taxes	5,890,272		1,635,084	
Accounts	4,533			
Intergovernmental		1,071		
Accrued Interest	1,163			
Materials and Supplies Inventory	11,569			
Prepaid Items	9,171			
Restricted Assets:				
Investments	35,028			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
Total Assets and Other Debits	\$10,801,224	\$193,671	\$2,388,183	\$817,406

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$12,724	\$44,509			\$6,258,708
	47,811			178,196
				280,733
				7,525,356
333				4,866
	95			1,071
10,498				1,258
				22,067
				9,171
				35,028
155,206 (93,897)		\$26,634,619		26,789,825 (93,897)
			\$753,099	753,099
			17,537,526	17,537,526
\$84,864	\$92,415	\$26,634,619	\$18,290,625	\$59,303,007

(Continued)

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2002
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$57,801	\$16,058		\$124,877
Accrued Wages and Benefits	839,565	120		
Compensated Absences Payable	142,002			
Retainage Payable				178,196
Due to Others				
Intergovernmental Payable	155,931			
Deferred Revenue	4,809,606		\$1,369,864	
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	6,004,905	16,178	1,369,864	303,073
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	17,445	12,147		
Reserved for Inventory	11,569			
Reserved for Prepaid Items	9,171			
Reserved for Debt Service Principal			753,099	
Reserved for Property Taxes	1,080,666		265,220	
Reserved for Budget Stabilization	35,028			
Designations:				
Designated for Budget Stabilization	150,367			
Unreserved:				
Unreserved, Undesignated	3,492,073	165,346		514,333
Total Fund Equity and Other Credits	4,796,319	177,493	1,018,319	514,333
Total Liabilities, Fund Equity and Other Credits	\$10,801,224	\$193,671	\$2,388,183	\$817,406

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
	\$884			\$199,620
\$34,080				873,765
13,329			\$817,075	972,406
				178,196
	3,805			3,805
13,369			53,408	222,708
9,442				6,188,912
	39,820			39,820
			17,420,142	17,420,142
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
70,220	44,509		18,290,625	26,099,374
		\$26,634,619		26,634,619
14,644				14,644
				29,592
				11,569
				9,171
				753,099
				1,345,886
				35,028
				150,367
	47,906			4,219,658
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
14,644	47,906	26,634,619		33,203,633
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$84,864	\$92,415	\$26,634,619	\$18,290,625	\$59,303,007

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$3,173,003	\$226,743
Interest	168,111	
Tuition and Fees	442,921	
Rent	13,318	
Extracurricular Activities		236,544
Property and Other Local Taxes	5,721,507	
Tax Abatements	1,082,583	
Miscellaneous	40,598	
Total Revenues	10,642,041	463,287
Expenditures:		
Instruction:		
Regular	5,904,515	41,250
Special	606,135	128,765
Vocational	165,855	
Other	14,151	
Support services:		
Pupils	365,792	5,770
Instructional Staff	278,467	42,909
Board of Education	23,982	
Administration	734,134	3,184
Fiscal	271,814	
Operation and Maintenance of Plant	1,414,451	
Pupil Transportation	504,038	
Non-Instructional Services		
Extracurricular activities	216,924	242,318
Capital Outlay	28,837	
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	10,529,095	464,196
Excess of Revenues Over (Under) Expenditures	112,946	(909)
Other Financing Sources and Uses		
Proceeds from Sale of Fixed Assets	3,600	
Other Financing Sources	751	
Operating Transfers Out	(40,000)	
Other Financing Uses	(220)	
Total Other Financing Sources and Uses	(35,869)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	77,077	(909)
Fund Balance at Beginning of Year	4,719,242	178,402
Fund Balance at End of Year	\$4,796,319	\$177,493

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$114,452	\$20,033 38,491	\$2,332	\$3,534,231 208,934 442,921 13,318 236,544
1,571,721			7,293,228 1,082,583 40,598
<u>1,686,173</u>	<u>58,524</u>	<u>2,332</u>	<u>12,852,357</u>
	13,324		5,959,089 734,900 165,855 14,151
			371,562 321,376 23,982 737,318 307,412 1,414,451 504,038
35,598		1,667	1,667 459,242 2,815,758
	2,786,921		
775,000			775,000
835,866			835,866
<u>1,646,464</u>	<u>2,800,245</u>	<u>1,667</u>	<u>15,441,667</u>
<u>39,709</u>	<u>(2,741,721)</u>	<u>665</u>	<u>(2,589,310)</u>
			3,600 751 (40,000) (220)
			<u>(35,869)</u>
39,709	(2,741,721)	665	(2,625,179)
978,610	3,256,054	47,241	9,179,549
<u>\$1,018,319</u>	<u>\$514,333</u>	<u>\$47,906</u>	<u>\$6,554,370</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$3,173,003	\$3,173,003	
Interest	165,696	170,281	\$4,585
Tuition and Fees	439,645	439,645	
Rent	13,318	13,318	
Extracurricular Activities			
Property and Other Local Taxes	5,136,211	5,136,211	
Tax Abatements	1,082,583	1,082,583	
Miscellaneous	38,411	39,491	1,080
Total Revenues	10,048,867	10,054,532	5,665
Expenditures:			
Current:			
Instruction:			
Regular	6,025,242	5,847,922	177,320
Special	672,600	667,693	4,907
Vocational	164,397	155,707	8,690
Other	60,656	25,939	34,717
Support services:			
Pupils	375,795	360,886	14,909
Instructional Staff	301,157	287,581	13,576
Board of Education	40,858	25,104	15,754
Administration	748,269	735,822	12,447
Fiscal	294,266	271,845	22,421
Operation and Maintenance of Plant	1,574,813	1,449,887	124,926
Pupil Transportation	599,101	538,438	60,663
Non-Instructional Services			
Extracurricular activities	222,500	218,647	3,853
Capital Outlay	53,000	28,837	24,163
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	11,132,654	10,614,308	518,346
Excess of Revenues Over (Under) Expenditures	(1,083,787)	(559,776)	524,011
Other Financing Sources and Uses			
Proceeds from Sale of Fixed Assets	3,600	3,600	
Refund of Prior Year Expenditures	751	751	
Operating Transfers Out	(40,000)	(40,000)	
Refund of Prior Year Receipts	(220)	(220)	
Other Financing Uses	(16,000)		16,000
Total Other Financing Sources and Uses	(51,869)	(35,869)	16,000
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,135,656)	(595,645)	540,011
Fund Balances at Beginning of Year	5,210,920	5,210,920	
Prior Year Encumbrances Appropriated	193,996	193,996	
Fund Balance at end of Year	\$4,269,260	\$4,809,271	\$540,011

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

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$222,222	\$225,673	\$3,451	\$114,452	\$114,452	
236,544	236,544		1,537,729	1,537,729	
<u>458,766</u>	<u>462,217</u>	<u>3,451</u>	<u>1,652,181</u>	<u>1,652,181</u>	
67,809	45,582	22,227			
131,220	128,736	2,484			
7,265	7,265				
46,705	46,705				
3,634	1,885	1,749			
			40,000	35,598	\$4,402
341,266	260,974	80,292			
			775,000	775,000	
			836,000	835,866	134
<u>597,899</u>	<u>491,147</u>	<u>106,752</u>	<u>1,651,000</u>	<u>1,646,464</u>	<u>4,536</u>
<u>(139,133)</u>	<u>(28,930)</u>	<u>110,203</u>	<u>1,181</u>	<u>5,717</u>	<u>4,536</u>
(139,133)	(28,930)	110,203	1,181	5,717	4,536
162,903	162,903		747,382	747,382	
35,214	35,214				
<u>\$58,984</u>	<u>\$169,187</u>	<u>\$110,203</u>	<u>\$748,563</u>	<u>\$753,099</u>	<u>\$4,536</u>

(Continued)

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$18,833	\$20,033	\$1,200
Interest	46,266	46,266	
Tuition and Fees			
Rent			
Extracurricular Activities			
Property and Other Local Taxes			
Tax Abatements			
Miscellaneous			
Total Revenues	65,099	66,299	1,200
Expenditures:			
Current:			
Instruction:			
Regular	31,157	13,324	17,833
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	3,250,178	2,755,045	495,133
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	3,281,335	2,768,369	512,966
Excess of Revenues Over (Under) Expenditures	(3,216,236)	(2,702,070)	514,166
Other Financing Sources and Uses			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Operating Transfers Out			
Refund of Prior Year Receipts			
Other Financing Uses			
Total Other Financing Sources and Uses			
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,216,236)	(2,702,070)	514,166
Fund Balances at Beginning of Year	3,248,277	3,248,277	
Prior Year Encumbrances Appropriated			
Fund Balance at end of Year	\$32,041	\$546,207	\$514,166

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

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$2,381	\$2,381		\$3,528,510	\$3,533,161	\$4,651
			214,343	218,928	4,585
			439,645	439,645	
			13,318	13,318	
			236,544	236,544	
			6,673,940	6,673,940	
			1,082,583	1,082,583	
			38,411	39,491	1,080
2,381	2,381		12,227,294	12,237,610	10,316
			6,124,208	5,906,828	217,380
			803,820	796,429	7,391
			164,397	155,707	8,690
			60,656	25,939	34,717
			383,060	368,151	14,909
			347,862	334,286	13,576
			40,858	25,104	15,754
			751,903	737,707	14,196
			334,266	307,443	26,823
			1,574,813	1,449,887	124,926
			599,101	538,438	60,663
5,000	1,667	\$3,333	5,000	1,667	3,333
			563,766	479,621	84,145
			3,303,178	2,783,882	519,296
			775,000	775,000	
			836,000	835,866	134
5,000	1,667	3,333	16,667,888	15,521,955	1,145,933
(2,619)	714	3,333	(4,440,594)	(3,284,345)	1,156,249
			3,600	3,600	
			1,923	1,923	
1,172	1,172		(40,000)	(40,000)	
			(220)	(220)	
			(16,000)		16,000
1,172	1,172		(50,697)	(34,697)	16,000
(1,447)	1,886	3,333	(4,491,291)	(3,319,042)	1,172,249
45,925	45,925		9,415,407	9,415,407	
			229,210	229,210	
\$44,478	\$47,811	\$3,333	\$5,153,326	\$6,325,575	\$1,172,249

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$289,205
Total Operating Revenues	\$289,205
Operating Expenses	
Salaries	161,895
Fringe Benefits	79,095
Purchased Services	3,702
Materials and Supplies	190,072
Depreciation	4,877
Total Operating Expenses	439,641
Operating Loss	(150,436)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	48,541
Federal and State Subsidies	70,885
Loss on Sale of Fixed Assets	(934)
Total Non-Operating Revenues and Expenses	118,492
Loss Before Operating Transfers	(31,944)
Operating Transfers-In	40,000
Net Income	8,056
Retained Earnings at Beginning of Year	6,588
Retained Earnings at End of Year	\$14,644

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Type
	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$290,919
Cash Payments to Suppliers for Goods and Service	(140,887)
Cash Payments for Contract Services	(3,702)
Cash Payments for Employee Services	(162,919)
Cash Payments for Employee Benefits	(78,889)
Net Cash Used by Operating Activities	(95,478)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	70,885
Transfers In	40,000
Net Cash Provided by Noncapital Financing Activities	110,885
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(5,525)
Net Cash Used by Capital and Related Financing Activities	(5,525)
Net Increase in Cash and Cash Equivalents	9,882
Cash and Cash Equivalents at Beginning of Year	2,842
Cash and Cash Equivalents at End of Year	\$12,724

(Continued)

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

	Proprietary Fund Type
	Enterprise
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	(\$150,436)
<u>Adjustments to Reconcile Operating Loss To Net Cash Used by Operating Activities:</u>	
Depreciation	4,877
Donated Commodities Used During the Year	48,541
Adjustments to Capital Outlay	103
(Increase) Decrease in Assets:	
Accounts Receivable	1,714
Material and Supplies Inventory	(465)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	(982)
Intergovernmental Payable	(1,248)
Deferred Revenue	1,466
Accrued Wages and Benefits	1,412
Accounts Payable	(460)
Total Adjustments	54,958
Net Cash Used by Operating Activities	(\$95,478)

The Food Service Fund consumed donated commodities with a value of \$48,541. The use of these commodities is reflected as an operating expense.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Reporting Entity

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

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

The District is associated with organizations, which are defined as jointly governed organizations, a related organization and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Archbold Community Library, the Northern Buckeye Education Council's Employee Insurance Benefit Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14, 15, and 16 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

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

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of year-end.

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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

The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements.

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B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

2. Proprietary Funds

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

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

3. Fiduciary Funds

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

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

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

4. Account Groups

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

General Long-term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. The Title VI-B Flow Thru Grant, Eisenhower Math-Science Grant, and Federal Preschool Grant special revenue funds pass through grants in which the Northwest Ohio Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the District's reporting entity for which the "appropriated budget" is adopted. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of

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Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.

6. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types and expendable trust funds for the year ended June 30, 2002 follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses				
	General	Special Revenues	Debt Service	Capital Projects	Expendable Trust
Budget Basis	(\$595,645)	(\$28,930)	\$5,717	(\$2,702,070)	\$1,886
Revenue Accruals	587,510	1,071	33,992	(7,775)	(49)
Expenditure Accruals	9,967	3,537		(124,877)	
Other					(1,172)
Encumbrances	75,245	23,413		93,001	
GAAP Basis	<u>\$77,077</u>	<u>(\$909)</u>	<u>\$39,709</u>	<u>(\$2,741,721)</u>	<u>\$665</u>

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Pooled Cash and Investments

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

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During fiscal year 2002, 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 2002, was \$168,111 for the General fund, which includes \$25,542 assigned from other funds, \$38,491 for the Permanent Improvement fund, and \$2,332 for the Winzeler Trust fund.

The District has segregated bank accounts for monies held separate from the District's central bank account. These interest-bearing depository accounts are presented on the combined balance sheet as "cash in fiscal and escrow agents" since they are not required to be deposited into the District treasury.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

G. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their fair market values as of the date donated. Interest incurred during construction of general fixed assets is also not capitalized. The District follows the policy of not capitalizing assets with a cost of less than \$300. This is based primarily on the uniqueness of these items to a school operation. No depreciation is recognized for asset in General Fixed Assets Account Group. The District does not have any infrastructure.

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

2. Proprietary Funds

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

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H. Interfund Transactions

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

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

I. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District to establish a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

J. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, prepaid items, debt service, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

Designations represent tentative management plans, which are subject to change. Designations have been established for monies set-aside for budget reserves under ORC 5705.13.

K. Cash Flows

For the purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months and not part of the pool are reported as investments.

L. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has

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identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the District's termination policy.

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

M. Long-term Obligations

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

N. 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.

O. Total Columns on Financial Statements

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

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

Interim 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

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by time certificates of deposit maturing not more than one year from the date of deposit, or by savings accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified 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."

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Deposits

At year-end, the carrying amount of the District's deposits was \$6,752,590 and the bank balance was \$6,863,975. Of the bank balance, \$227,674 was covered by Federal Depository Insurance and \$6,636,301 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

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

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$6,436,904	\$315,761
Investments	315,761	(315,761)
Cash on Hand	(75)	
GASB Statement 3	\$6,752,590	

4. PROPERTY TAXES

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

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

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

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

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

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	April 1 of the year preceding the collection year

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

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Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

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

The County Treasurers collect personal property taxes on behalf of all taxing districts within the Counties of the District. The County Auditors periodically remit to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2002. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2002.

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

	<u>Amount</u>
Residential/Agricultural	\$90,634,890
Commercial/Industrial	39,860,880
Public Utility	9,473,660
General Personal Property	<u>71,900,565</u>
Total valuation	<u><u>\$211,869,995</u></u>

5. FIXED ASSETS

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

	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/02</u>
Land and land improvements	\$784,652	\$128,965		\$913,617
Buildings	19,181,129	10,261		19,191,390
Furniture and equipment	2,876,984	427,462	\$121,229	3,183,217
Text and library books	271,222	50,112	819	320,515
Vehicles	755,583	96,626	44,815	807,394
Construction in progress		<u>2,218,486</u>		<u>2,218,486</u>
Total	<u><u>\$23,869,570</u></u>	<u><u>\$2,931,912</u></u>	<u><u>\$166,863</u></u>	<u><u>\$26,634,619</u></u>

A summary of Enterprise Fund fixed assets at June 30, 2002 follows:

<u>Asset Category</u>	<u>Balance at 6/30/02</u>
Furniture and equipment	\$155,206
Less accumulated depreciation	<u>(93,897)</u>
Total	<u><u>\$249,103</u></u>

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6. RECEIVABLES

Receivables, at June 30, 2002, consisted of taxes, accounts, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectable in full due to the ability to foreclose for the non-payment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

7. LONG-TERM OBLIGATIONS

During the year ended June 30, 2002 the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 6/30/01	Additions	Deductions	Balance at 6/30/02
School facilities construction and improvement bonds				
Series 1992				
Current interest bonds	\$4,050,000		\$490,000	\$3,560,000
Capital appreciation bonds	1,665,779	\$146,080		1,811,859
Total Series 1992	<u>5,715,779</u>	<u>146,080</u>	<u>490,000</u>	<u>5,371,859</u>
Series 1996				
Current interest bonds	8,235,000		255,000	7,980,000
Capital appreciation bonds	707,276	65,299		772,575
Total Series 1996	<u>8,942,276</u>	<u>65,299</u>	<u>255,000</u>	<u>8,752,575</u>
Series 2001				
Current interest bonds	3,155,000		30,000	3,125,000
Capital appreciation bonds	145,000	25,708		170,708
Total Series 2001	<u>3,300,000</u>	<u>25,708</u>	<u>30,000</u>	<u>3,295,708</u>
Total General obligation bonds	<u>\$17,958,055</u>	<u>\$237,087</u>	<u>\$775,000</u>	<u>\$17,420,142</u>
General obligation bonds	\$17,958,055	\$237,087	\$775,000	\$17,420,142
Intergovernmental payable	60,831		7,423	53,408
Compensated absences payable	846,150		29,075	817,075
Total	<u>\$18,865,036</u>	<u>\$237,087</u>	<u>\$811,498</u>	<u>\$18,290,625</u>

Debt outstanding at June 30, 2002 consisted of three separate school facilities construction and improvement bonds issuances (Series 1992, 1996 and 2001).

The Series 1992 issuance consists of both current interest bonds, par value of \$5,850,000, and capital appreciation bonds, par value of \$2,165,000. The average interest rate on the current interest bonds is 5.69%. The capital appreciation bonds mature on December 1, 2003 (stated interest rate 21.0339%), 2004 (stated interest rate 19.8504%), 2005 (stated interest rate 18.8659%) and 2006 (stated interest rate 18.0378%), at a redemption price equal to 100% of the par value. The value reported in the General Long-Term Obligations Account Group at June 30, 2002 was \$1,811,859. 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 final maturity stated in the issue is December 1, 2011.

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The Series 1996 issuance consists of both current interest bonds, par value of \$9,010,000, and capital appreciation bonds, par value of \$965,000. The average interest rate on the current interest bonds is 5.87%. The capital appreciation bonds mature on December 1, 2004 (stated interest rate 10.6%), 2005 (stated interest rate 10.125%), and 2006 (stated interest rate 9.75%), at a redemption price equal to 100% of the par value. The value reported in the General Long-Term Obligations Account Group at June 30, 2002 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 final maturity stated in the issue is December 1, 2021.

The Series 2001 issuance consists of both current interest bonds, par value of \$3,155,000, and capital appreciation bonds, par value of \$375,000. The average interest rate on the current interest bonds is 4.49%. The capital appreciation bonds mature on December 1, 2008 (stated interest rate 12.274%), 2009 (stated interest rate 10.825%), and 2010 (stated interest rate 10.824%), at a redemption price equal to 100% of the par value. The value reported in the General Long-Term Obligations Account Group at June 30, 2002 was \$170,708. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$25,708 has been included in the value. The final maturity stated in the issue is December 1, 2025.

Total expenditures for interest for the above debt for the period ended June 30, 2002 was \$835,866.

The scheduled payments of principal and interest on debt outstanding at June 30, 2002 are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$855,000	\$795,301	\$1,650,301
2004	894,714	845,113	1,739,827
2005	787,826	937,713	1,725,539
2006	754,237	980,164	1,734,401
2007	747,657	1,014,819	1,762,476
thereafter	13,380,708	6,093,531	19,474,239
Total	<u>\$17,420,142</u>	<u>\$10,666,641</u>	<u>\$28,086,783</u>

8. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 Days. Employees with less than one year of service earn no vacation. Certain employees are permitted to carry over vacation leave if approved by the Superintendent.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 51.25 days.

At June 30, 2002 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$142,002 and \$817,075, respectively. The liability for compensated absences in the proprietary funds at June 30, 2002 was \$13,329.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

9. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$71,015, \$60,675, and \$70,630, respectively; 60 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$28,281 representing unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by the STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$595,787, \$438,273, and \$259,745, respectively; 87 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$78,666 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

10. EARLY RETIREMENT INCENTIVE

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

11. POSTEMPLOYMENT BENEFITS

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

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll. For the District, this amount equaled \$281,661 during fiscal year 2002.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 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, 2001, the allocation rate is 8.54 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 2001, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 million. The number of participants currently receiving health care benefits is approximately 50,000. For the District, the amount to fund health care benefits, including the surcharge, equaled \$142,444 during fiscal year 2002.

12. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

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

B. Employee Insurance Benefits Program

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

C. Workers' Compensation Group Program

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

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

13. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 2002 was as follows:

	<u>Lunchroom Cafeteria</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$272,613	\$16,592	\$289,205
Depreciation	4,877		4,877
Operating (loss)	(148,314)	(2,122)	(150,436)
Donated commodities	48,541		48,541
Grants	70,885		70,885
Loss on Sale of Asset	(934)		(934)
Operating transfers-in	40,000		40,000
Net income (loss)	10,178	(2,122)	8,056

(Continued)

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

	Lunchroom Cafeteria	Uniform School Supplies	Total Enterprise Funds
Fixed asset additions	5,422		5,422
Fixed asset deletions	(2,492)		(2,492)
Net working capital	(47,952)	1,287	(46,665)
Total assets	83,577	1,287	84,864
Total liabilities	70,220		70,220
Total equity	13,357	1,287	14,644

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Wood, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$33,858. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during this fiscal year were \$3,000. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

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 school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

15. RELATED ORGANIZATION

Archbold Community Library

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

16. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$783,903. 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 Section 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 \$1,015 to the WCGRP to cover the costs of administering the program.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

17. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2002, only the unspent portion of certain workers compensation refunds is required to be set aside at fiscal year end. The balance no longer required by statute for budget stabilization was designated by the District to be used for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2001	\$57,293	\$24,279	\$35,028	\$116,600
Current Year Set-aside Requirement	173,678	173,678		347,356
Qualifying Disbursements	<u>(461,245)</u>	<u>(307,255)</u>		<u>(768,500)</u>
Total	<u>(\$230,274)</u>	<u>(\$109,298)</u>	<u>\$35,028</u>	<u>(\$304,544)</u>
Balance Carried Forward to 2003	<u>(230,274)</u>		<u>35,028</u>	<u>(195,246)</u>
Amounts restricted for Budget Stabilization				<u>\$35,028</u>
Total Restricted Assets				<u>35,028</u>

18. 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 School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

19. INTERFUND TRANSACTIONS

Interfund balances consist of the following individual fund transactions:

<u>For the year ended June 30, 2002</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$40,000
Enterprise Fund	\$40,000	
Total	<u>\$40,000</u>	<u>\$40,000</u>

20. AGENCY FUNDS

<u>General-Purpose Statement Changes in Assets and Liabilities</u>			
	<u>Balance at 06/30/01</u>	<u>Change</u>	<u>Balance at 06/30/02</u>
Assets	<u>\$45,636</u>	<u>(\$1,127)</u>	<u>\$44,509</u>
Liabilities	<u>\$45,636</u>	<u>(\$1,127)</u>	<u>\$44,509</u>

21. COMPLIANCE

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education

We have audited the financial statements of Archbold Area Local School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 12, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed a certain instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10126-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 12, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 12, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 12, 2002

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2002**

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

FINDING # 2002-10126-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from an any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is not legal liability on the part of the subdivision or taxing district.

- B. Amounts less than \$1,000 for political subdivisions other than counties may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Forty percent of the transactions tested were not properly certified by the Treasurer prior to making orders for the disbursement of District funds. The Treasurer did not indicate these expenditures as "then and now" certifications.

The Treasurer should certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by District officials. Adequate funds should certified by the Treasurer to cover the obligation amount. If not certified before the obligation is made, then expenditures should be certified as "then and now" expenditures when the disbursement is made. The Clerk should consult Auditor of State Bulletin 97-010 for further guidance regarding "then and now" certification.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10126-001	Ohio Revised Code § 5705.41(D) improper fiscal officer certification of certain expenditures	No	Not corrected and reissued as finding number 2002-10126-001.



STATE OF OHIO
OFFICE OF THE AUDITOR

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ARCHBOLD AREA LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 9, 2003**