



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
REGULAR AUDIT  
FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State  
Betty Montgomery**



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Archbold Area Local School District  
Fulton County  
600 Lafayette Street  
Archbold, Ohio 43502-1656

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 the Archbold Area Local School District, Fulton County, Ohio (the Government), as of and for the year ended June 30, 2005, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that includes the financial data for its component unit. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the unaudited assets of the aggregate discretely presented component units were \$2,129,200. We were unable to determine amounts of liabilities, net assets, revenues and expenses for the omitted component unit.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the Archbold Area Local School District, Fulton County, as of June 30, 2005, or the changes in financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund and the remaining fund information of the Archbold Area Local School District, Fulton County, as of June 30, 2005, and the respective changes in financial position, thereof 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2006, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



**Betty Montgomery**  
Auditor of State

January 20, 2006

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited**

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, 2005. 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 2005 are as follows:

The District refinanced \$7,365,000 of series 1996 general obligation bonds. The refinancing reduced the District's total debt service payments by \$591,524 over the next 17 years.

The District retired \$950,000 in general obligation bonds from amounts accumulated in the Bond Retirement Debt Service Fund.

In total, net assets decreased \$632,051.

General revenues accounted for \$12,849,824, or 91% of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$1,135,700 or 9% of total revenues of \$13,985,524.

The District's major funds included the General Fund and the Bond Retirement Debt Service Fund. The General Fund had \$11,053,386 in revenues and other financing sources and \$12,099,156 in expenditures and other financing uses. The General Fund's balance decreased \$1,045,770 from the prior fiscal year. The Bond Retirement Debt Service Fund had \$10,140,328 in revenues and other financing sources and \$9,627,879 in expenditures and other financing uses. The Bond Retirement Debt Service Fund's balance increased \$512,449 from the prior fiscal year.

The revenue generated from the Bond Retirement Debt Service 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 Debt Service 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, 2005  
Unaudited  
(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 2005. 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 year's 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 Debt Service 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.



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2005 compared to fiscal year 2004.

**Table 1  
Net Assets  
Governmental Activities**

	<b>2005</b>	<b>2004</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$15,134,604	\$14,693,000
Capital Assets, Net	12,278,450	12,808,000
Total Assets	<u>27,413,054</u>	<u>27,501,000</u>
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	9,495,825	9,241,000
Long-Term Liabilities	17,064,072	16,784,000
Total Liabilities	<u>26,559,897</u>	<u>26,025,000</u>
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	(1,496,750)	(1,241,000)
Restricted	1,917,904	1,480,000
Unrestricted	432,003	1,237,000
Total	<u>\$853,157</u>	<u>\$1,476,000</u>

Total assets decreased by \$87,946 less than 1 percent.

Total liabilities increased by \$534,897 (2 percent). Changes occurred in deferred revenues from property taxes, which increased \$185,894, and long-term liabilities, which increased by \$280,072.

Total net assets decreased by \$622,843 (42 percent). Net assets invested in capital assets, net of related debt, decreased by \$255,750 (21 percent) due to depreciation, deletion of assets and an increase in long-term obligations. Restricted net assets increased by \$437,904, mainly due to the premium received on the issuance of bonds.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2005 compared to fiscal year 2004.

**Table 2  
Change in Net Assets  
Governmental Activities**

	<u>2005</u>	<u>2004</u>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$773,493	\$701,000
Operating Grants, Contributions and Interest	348,977	362,000
Capital Grants and Contributions	13,230	9,000
Total Program Revenues	<u>1,135,700</u>	<u>1,072,000</u>
General Revenues:		
Property Taxes	7,904,494	7,696,000
Grants and Entitlements	3,566,157	3,810,000
Payments in Lieu of Taxes	1,194,973	1,167,000
Interest	126,103	65,000
Gifts and Donations	50	
Miscellaneous	53,597	74,000
Proceeds from Sale of Capital Assets	1,889	
Premium on Refinanced Bond Issue	2,561	
Total General Revenues	<u>12,849,824</u>	<u>12,812,000</u>
Total Revenues	<u>13,985,524</u>	<u>13,884,000</u>
<b><u>Expenses:</u></b>		
Instruction	8,621,063	8,105,000
Support Services:		
Pupils	298,776	499,000
Instructional Staff	534,806	328,000
Board of Education	58,724	52,000
Administration	888,839	841,000
Fiscal	260,919	337,000
Operation and Maintenance of Plant	706,050	1,327,000
Pupil Transportation	1,125,792	520,000
Non-Instructional	469,404	569,000
Extracurricular Activities	678,141	512,000
Capital Outlay	116,735	52,000
Interest and Fiscal Charges	849,326	938,000
Total Expenses	<u>14,608,575</u>	<u>14,080,000</u>
Change in Net Assets	<u>(\$623,051)</u>	<u>(\$196,000)</u>

Program revenues increased by \$63,700 (6 percent) due to additional monies collected for classroom fees and food service revenues. General revenues increased by \$37,824 less than 1 percent.

Total expenses increased by \$528,575 (3 percent) due to increases in salaries and salary related expenditures.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

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.

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
Instruction	\$8,621,063	\$8,216,745	\$8,105,000	\$7,631,000
Support Services:				
Pupils	298,776	293,281	499,000	495,000
Instructional Staff	534,806	527,493	328,000	310,000
Board of Education	58,724	58,724	52,000	52,000
Administration	888,839	888,839	841,000	841,000
Fiscal	260,919	260,919	337,000	337,000
Operation and Maintenance of Plant	706,050	706,050	1,327,000	1,327,000
Pupil Transportation	1,125,792	1,125,792	520,000	520,000
Non-Instructional	469,404	9,972	569,000	251,000
Extracurricular Activities	678,141	419,179	512,000	254,000
Capital Outlay	116,735	116,735	52,000	52,000
Interest and Fiscal Charges	849,326	849,326	938,000	938,000
Total Expenses	<u>\$14,608,575</u>	<u>\$13,472,875</u>	<u>\$14,080,000</u>	<u>\$13,008,000</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 95 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 92 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 Debt Service Fund. General Fund revenues were increased by 2 percent from 2004 primarily a result of increases in property and other local taxes. General Fund expenditures increased by 7 percent from 2004, which can be attributed to, increases in salary and related fringe benefits. In 2005, the District refinanced an issuance of general obligation bonds as a result; revenues and expenditures in the Bond Retirement Debt Service Fund increased by 453 percent and 471 percent, respectively.

The net decrease in the General Fund balance for fiscal year 2004 was \$527,759, compared to \$1,045,770 for fiscal year 2005. This was primarily a result of increases in salary, employee benefits and retirement expenditure amounts during 2005. The net increase in the Bond Retirement Debt Service Fund balance for fiscal year 2004 was \$147,710 compared to \$512,449 for fiscal year 2005. The Bond Retirement Debt Service Fund received proceeds from a refunding bond issue and paid off old debt.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

**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 2005, the District amended its General Fund budget as needed.

Final budgeted revenues and other financing sources were less than one percent less than original budget estimates. Of this \$98,163 difference, most was due to conservative estimates of payments in lieu of taxes in the original budget. Actual revenues and other financing sources exceeded final budgeted by less than one percent.

Final expenditures were budgeted at \$12,989,612 which was less than one percent below original budget. Actual expenditures were \$977,076 less than final budgeted amounts primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2005, the District had \$12,278,450 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of 4 percent from the beginning of the year amount of \$12,808,100 due to deletions and depreciation. For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2005, the District's long-term obligations, which include general obligation bonds payable and compensated absences, were \$17,064,072, up 2 percent from the end of fiscal year 2004 primarily due to the amortization of bond refinancing costs.

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

At June 30, 2005, the District's overall legal debt margin was \$7,838,773, with an un-voted debt margin of \$257,663.

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 4,290 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 second year of the state biennium budget. According to the 2005 Local District Report Card, 67% of District revenue sources are from local funds, 30% from state funds

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

and the remaining 3% is from federal funds. The total expenditure per pupil was calculated at \$8,818, which is a \$2,034 increase from the 2000 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 twelve 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 eight 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 43502-1657.

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Statement of Net Assets  
June 30, 2005**

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	5,139,409
Materials and Supplies Inventory		17,542
Accrued Interest Receivable		10,182
Accounts Receivable		59,070
Intergovernmental Receivable		14,983
Prepaid Items		15,770
Taxes Receivable		9,073,224
Unamortized Bond Costs		804,424
Non-Depreciable Capital Assets		743,418
Depreciable Capital Assets, net		<u>11,535,032</u>
Total Assets		<u><u>27,413,054</u></u>
 <b>LIABILITIES:</b>		
Accounts Payable		79,537
Accrued Wages and Benefits		1,379,299
Intergovernmental Payable		260,418
Matured Compensated Absences Payable		73,406
Deferred Revenue		7,703,165
Long-Term Liabilities:		
Due Within One Year		1,107,434
Due in More Than One Year		<u>15,956,638</u>
Total Liabilities		<u><u>26,559,897</u></u>
 <b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt		(1,496,750)
Restricted for Debt Service		1,817,611
Restricted for Capital Outlay		825
Restricted for Other Purposes		99,468
Unrestricted		<u>432,003</u>
Total Net Assets	\$	<u><u>853,157</u></u>

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, 2005**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 7,340,748	\$ 166,867	\$ 103,561	\$ 13,230	(7,057,090)
Special	966,967		119,560		(847,407)
Vocational	228,844				(228,844)
Adult/Continuing	1,100		1,100		-
Other	83,404				(83,404)
Support Services:					
Pupils	298,776		5,495		(293,281)
Instructional Staff	534,806		7,313		(527,493)
Board of Education	58,724				(58,724)
Administration	888,839				(888,839)
Fiscal	260,919				(260,919)
Operation and Maintenance of Plant	706,050				(706,050)
Pupil Transportation	1,125,792				(1,125,792)
Operation of Non-Instructional Services	469,404	347,664	111,948		(9,792)
Extracurricular Activities	678,141	258,962			(419,179)
Capital Outlay	116,735				(116,735)
Debt Service:					
Interest and Fiscal Charges	849,326				(849,326)
Totals	\$ <u>14,608,575</u>	\$ <u>773,493</u>	\$ <u>348,977</u>	\$ <u>13,230</u>	<u>(13,472,875)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					6,125,676
Property Taxes, Levied for Debt Service					1,778,818
Grants and Entitlements not Restricted to Specific Programs					3,566,157
Gifts and Donations					50
Investment Earnings					126,103
Payments in Lieu of Taxes					1,194,973
Miscellaneous					53,597
Premium on Refinanced Bond Issue					2,561
Gain from the Sale of Capital Assets					1,889
Total General Revenues					<u>12,849,824</u>
Change in Net Assets					(623,051)
Net Assets Beginning of Year					<u>1,476,208</u>
Net Assets End of Year					\$ <u><u>853,157</u></u>

See Accompanying Notes to the Basic Financial Statements



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2005**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,447,557	\$ 1,554,155	\$ 137,697	\$ 5,139,409
Materials and Supplies Inventory	9,393		8,149	17,542
Accrued Interest Receivable	10,182			10,182
Accounts Receivable	55,417		3,653	59,070
Intergovernmental Receivable			14,983	14,983
Prepaid Items	15,770			15,770
Taxes Receivable	7,076,121	1,997,103		9,073,224
<b>Total Assets</b>	<b>\$ 10,614,440</b>	<b>\$ 3,551,258</b>	<b>\$ 164,482</b>	<b>\$ 14,330,180</b>
<b>Liabilities</b>				
Accounts Payable	73,516		6,021	79,537
Accrued Wages and Benefits	1,323,084		56,215	1,379,299
Intergovernmental Payable	180,766		3,996	184,762
Matured Compensated Absences Payable	68,366		5,040	73,406
Deferred Revenue	5,996,984	1,744,164		7,741,148
<b>Total Liabilities</b>	<b>7,642,716</b>	<b>1,744,164</b>	<b>71,272</b>	<b>9,458,152</b>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	6,861		11,451	18,312
Reserved for Inventory	9,393		8,149	17,542
Reserved for Prepaid Items	15,770			15,770
Reserved for Property Taxes	169,307	63,340		232,647
Unreserved, Undesignated, Reported in:				
General Fund	2,770,393			2,770,393
Special Revenue Funds			72,785	72,785
Debt Service Funds		1,743,754		1,743,754
Capital Projects Funds			825	825
<b>Total Fund Balances</b>	<b>2,971,724</b>	<b>1,807,094</b>	<b>93,210</b>	<b>4,872,028</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,614,440</b>	<b>\$ 3,551,258</b>	<b>\$ 164,482</b>	<b>\$ 14,330,180</b>

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, 2005**

Total Governmental Fund Balances	\$	4,872,028
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		12,278,450
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		37,983
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(75,656)
Unamortized Bond Costs		804,424
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(16,155,285)	
Compensated Absences Payable	(908,787)	
	(17,064,072)	
Net Assets of Governmental Activities	\$	853,157

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, 2005**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 6,147,820	\$ 1,787,594	\$	\$ 7,935,414
Intergovernmental	3,381,646	145,273	408,230	3,935,149
Interest	126,065		38	126,103
Tuition and Fees	139,973		18,658	158,631
Rent	8,236			8,236
Extracurricular Activities			258,962	258,962
Gifts and Donations	50			50
Customer Sales and Services			347,664	347,664
Payments in Lieu of Taxes	1,194,973			1,194,973
Miscellaneous	52,734	863		53,597
<b>Total Revenues</b>	<b>11,051,497</b>	<b>1,933,730</b>	<b>1,033,552</b>	<b>14,018,779</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	6,582,197		126,480	6,708,677
Special	790,416		119,529	909,945
Vocational	188,213		1,071	189,284
Adult/Continuing			1,100	1,100
Other	83,404			83,404
Support Services:				
Pupils	472,373		4,433	476,806
Instructional Staff	329,793		7,313	337,106
Board of Education	67,114			67,114
Administration	878,505		3,511	882,016
Fiscal	310,541	42,456		352,997
Operation and Maintenance of Plant	1,395,223			1,395,223
Pupil Transportation	691,761		12,149	703,910
Operation of Non-Instructional Services			556,413	556,413
Extracurricular Activities	245,291		262,690	507,981
Capital Outlay	38,325		78,410	116,735
Debt Service:				
Principal		950,000		950,000
Interest		431,386		431,386
Refunding Bond Issue Costs		127,040		127,040
<b>Total Expenditures</b>	<b>12,073,156</b>	<b>1,550,882</b>	<b>1,173,099</b>	<b>14,797,137</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,021,659)</b>	<b>382,848</b>	<b>(139,547)</b>	<b>(778,358)</b>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In			38,149	38,149
General Obligation Bonds Issued		7,364,997		7,364,997
Premium on Refunding Bonds Issued		841,601		841,601
Payment to Refunded Bond Escrow Agent		(8,076,997)		(8,076,997)
Proceeds from Sale of Capital Assets	1,889			1,889
Transfers Out	(26,000)		(12,149)	(38,149)
<b>Total Other Financing Sources and Uses</b>	<b>(24,111)</b>	<b>129,601</b>	<b>26,000</b>	<b>131,490</b>
<b>Net Change in Fund Balances</b>	<b>(1,045,770)</b>	<b>512,449</b>	<b>(113,547)</b>	<b>(646,868)</b>
Fund Balance at Beginning of Year	4,017,494	1,294,645	206,757	5,518,896
<b>Fund Balance at End of Year</b>	<b>\$ 2,971,724</b>	<b>\$ 1,807,094</b>	<b>\$ 93,210</b>	<b>\$ 4,872,028</b>

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 Statement Activities  
For the Fiscal Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ (646,868)

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	368,747	
Depreciation	<u>(912,828)</u>	
		(544,081)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain on disposal of capital assets on the statement of activities.

Gain on Disposal of Capital Assets		14,431
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	(6,785)	
Delinquent Property Taxes	<u>(30,920)</u>	
		(37,705)

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

		950,000
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Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

Capital Appreciation Interest		(417,940)
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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	66,783	
Compensated Absences Payable	<u>(7,671)</u>	
		59,112

Change in Net Assets of Governmental Activities		\$ <u><u>(623,051)</u></u>
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See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 6,040,000	\$ 6,094,161	\$ 6,095,151	\$ 990
Intergovernmental	3,335,600	3,381,646	3,381,646	
Interest	62,000	118,331	120,501	2,170
Tuition and Fees	479,800	90,222	90,222	
Rent	9,500	8,236	8,236	
Gifts and Donations		50	50	
Payments in Lieu of Taxes		1,239,390	1,239,390	
Miscellaneous	1,153,680	35,576	35,593	17
Total Revenues	<u>11,080,580</u>	<u>10,967,612</u>	<u>10,970,789</u>	<u>3,177</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	6,705,733	6,751,128	6,526,461	224,667
Special	905,400	790,258	779,532	10,726
Vocational	197,412	197,412	186,012	11,400
Other	61,076	86,076	83,611	2,465
Support Services:				
Pupils	476,933	483,583	466,587	16,996
Instructional Staff	338,864	339,764	326,381	13,383
Board of Education	58,700	70,445	69,549	896
Administration	891,005	901,755	866,216	35,539
Fiscal	370,425	372,125	313,767	58,358
Operation and Maintenance of Plant	1,723,679	1,742,879	1,410,338	332,541
Pupil Transportation	777,000	743,657	669,938	73,719
Extracurricular Activities	251,200	254,950	249,819	5,131
Capital Outlay	38,000	39,000	38,325	675
Total Expenditures	<u>12,795,427</u>	<u>12,773,032</u>	<u>11,986,536</u>	<u>786,496</u>
Excess of Expenditures Over Revenues	<u>(1,714,847)</u>	<u>(1,805,420)</u>	<u>(1,015,747)</u>	<u>789,673</u>
<b>Other Financing Sources and Uses:</b>				
Proceeds from Sale of Capital Assets	1,000	1,889	1,889	
Refund of Prior Year Expenditures	2,585	16,501	16,501	
Transfers Out	(40,000)	(40,000)	(26,000)	14,000
Other Financing Uses	(200,000)	(176,580)		176,580
Total Other Financing Sources and Uses	<u>(236,415)</u>	<u>(198,190)</u>	<u>(7,610)</u>	<u>190,580</u>
Net Change in Fund Balances	(1,951,262)	(2,003,610)	(1,023,357)	980,253
Fund Balance at Beginning of Year	4,333,407	4,333,407	4,333,407	
Prior Year Encumbrances Appropriated	57,130	57,130	57,130	
Fund Balance at End of Year	<u>\$ 2,439,275</u>	<u>\$ 2,386,927</u>	<u>\$ 3,367,180</u>	<u>\$ 980,253</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, 2005**

	<b>Private Purpose Trust</b>	<b>Agency Fund</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$	\$ 45,288
Investments	48,168	
Total Assets	48,168	45,288
<b>Liabilities</b>		
Undistributed Monies		45,288
Total Liabilities		45,288
<b>Net Assets</b>		
Held in Trust for Scholarships	48,168	
Total Net Assets	\$ 48,168	\$

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, 2005**

	<u>Private Purpose Trust</u>
<b>ADDITIONS:</b>	
Interest	\$ <u>671</u>
Total Additions	<u>671</u>
<b>DEDUCTIONS:</b>	
Payments in Accordance with Trust Agreements	<u>1,060</u>
Total Deductions	<u>1,060</u>
Change in Net Assets	(389)
Net Assets Beginning of Year	<u>48,557</u>
Net Assets End of Year	\$ <u><u>48,168</u></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, 2005**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The 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 Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District is the 385th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 61 classified employees and 100 certified teaching personnel, who provide services to 1,417 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. The Archbold Athletic Building Club meets this criterion and is considered to be a component unit of the District. Financial data related to the Archbold Athletic Building Club has not been included in the District's 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, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 15, 16, and 17 to the basic 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, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (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 are 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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.

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 Debt Service Fund - The Bond Retirement Debt Service 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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 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, 2005, but which were levied to finance fiscal year 2006 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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.

**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 fund and special cost center. Any budgetary modifications at this level may only be made by the Board of Education.

The certificates 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 2005, 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 2005, was \$126,065 for the General Fund, which includes \$32,777 assigned from other funds, and \$38 for the Permanent Improvement Fund and \$671 for the Winzeler Trust Fund.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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 the 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.

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. 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. The District's capitalization threshold is \$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:

<b>Description</b>	<b>Estimated Lives</b>
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

**I. 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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 "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.

**J. 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.

**K. 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 state and federal 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.

**L. 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 reserves have been established for inventory, prepaid items, property taxes, and encumbrances.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

**M. 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.

**N. 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.

**O. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**P. Pass-Through Grants**

The Preschool Disabilities Grant Fund and Special Education Part B IDEA Grant Fund (special revenue funds) are pass-through grants in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting or Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

**Q. 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 2005.



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2005, the Lunchroom Fund, a special revenue fund, had a deficit fund balance of \$38,034 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**

The fiscal officer did not properly certify all expenditures at the time that 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.

**4. 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 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING – (Continued)**

	Net Change in Fund Balance Major Governmental Fund
GAAP Basis	(\$1,045,770)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received In Cash FY 2005	1,080,529
Accrued FY 2005, Not Yet Received in Cash	(1,161,237)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(1,453,572)
Accrued FY 2005, Not Yet Paid in Cash	1,637,070
Encumbrances Outstanding at Year End (Budget Basis)	(80,377)
Budget Basis	(\$1,023,357)

**5. DEPOSITS AND INVESTMENTS**

Monies held by the District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board 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 or deposit accounts, including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS – (Continued)**

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase 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.

At year end, the District had \$125 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,456,928 of the District's bank balance of \$5,292,483 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS – (Continued)**

The following table reconciles deposits on the statement of net assets with the carrying amount of deposits.

<b>Deposits</b>	
<hr/>	
Per: Statement of Net Assets	
Equity in Pooled Cash & Cash Equivalents	\$5,139,409
Per: Statement of Fiduciary Net Assets	
Equity in Pooled Cash & Cash Equivalents	93,456
Total Equity in Pooled Cash & Cash Equivalents	<hr/> 5,232,865
Cash on Hand	<hr/> (125)
Carrying Amount of Deposits	<hr/> <hr/> \$5,232,740

**6. 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 2005 represent the collection of calendar year 2004 taxes. Real property taxes for 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 2005 were levied after April 1, 2004, on the assessed values as of December 31, 2003, 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 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes for 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**6. PROPERTY TAXES – (Continued)**

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, 2005, are available to finance fiscal year 2005 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, 2005 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 2005 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, 2005, was \$169,307 in the General Fund, and \$63,340 in the Debt Service Fund. The amount available as an advance at June 30, 2004, was \$102,217 in the General Fund and \$38,789 in the Debt Service Fund.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<b>2004 Second- Half Collections</b>		<b>2005 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$105,012,040	43%	\$106,761,300	41%
Industrial/Commercial	55,961,310	23%	64,331,270	25%
Public Utility	9,163,350	4%	9,950,570	4%
Tangible Personal	74,246,390	30%	76,619,456	30%
Total Assessed Value	<u>\$244,383,090</u>	<u>100%</u>	<u>\$257,662,596</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$48.25		\$48.25	

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**7. RECEIVABLES**

Receivables at June 30, 2005, consisted of accounts (tax abatements, interest, tuition and fees, and miscellaneous), intergovernmental receivables arising from grants, and property taxes. All receivables are considered collectible in full and within one year.

	<b>Amount</b>
Accounts Receivable:	
General Fund	
Tuition and Fees	54,022
Miscellaneous	1,395
Total General Fund	55,417
All Other Governmental Funds	
Extracurricular Activities:	3,614
Customer Sales and Service	39
Total All Other Governmental Funds	3,653
Total Accounts Receivable	\$59,070
Intergovernmental Receivable:	
All Other Governmental Funds	
Federal Grant Monies	
Title I Fund	\$14,131
State Grant Monies	
Summer Invention Fund	852
Total Intergovernmental Receivable	\$14,983

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$743,418			\$743,418
Total Nondepreciable Capital Assets	<u>743,418</u>			<u>743,418</u>
Depreciable Capital Assets				
Land Improvements	137,026	\$21,714		158,740
Buildings and Building Improvements	22,015,544	103,335	\$20,832	22,098,047
Furniture, Fixtures, and Equipment	1,065,208	31,878	314,542	782,544
Vehicles	905,455	211,820	86,450	1,030,825
Total Depreciable Capital Assets	<u>24,123,233</u>	<u>368,747</u>	<u>421,824</u>	<u>24,070,156</u>
Less Accumulated Depreciation				
Land Improvements	52,494	36,503	37,913	51,084
Buildings and Building Improvements	10,413,694	766,254	577	11,179,371
Furniture, Fixtures, and Equipment	825,266	58,250	316,082	567,434
Vehicles	767,097	51,821	81,683	737,235
Total Accumulated Depreciation	<u>12,058,551</u>	<u>912,828</u>	<u>436,255</u>	<u>12,535,124</u>
Depreciable Capital Assets, Net	<u>12,064,682</u>	<u>(544,081)</u>	<u>(14,431)</u>	<u>11,535,032</u>
Governmental Activities Capital Assets, Net	<u>\$12,808,100</u>	<u>(\$544,081)</u>	<u>(\$14,431)</u>	<u>\$12,278,450</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$685,068
Special	54,913
Vocational	40,252
Support Services:	
Instructional Staff	6,870
Fiscal	1,080
Operation and Maintenance of Plant	61,988
Pupil Transportation	44,927
Operation of Non-Instructional Services	3,693
Extracurricular	14,037
Total Depreciation Expense	<u>\$912,828</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**9. RISK MANAGEMENT**

**A. Property and Liability**

The District maintains comprehensive insurance coverage with private carriers for real property and building contents. Real property contents are fully insured.

The District participates in the Ohio School Plan (the Plan), an insurance purchasing pool (See Note 17). The District maintains liability and vehicle insurance with the Plan. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in the amount of 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 (see Note 17). The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, vision, 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 (See Note 17). 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.

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



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**10. 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 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$130,740, \$121,388 and \$99,500; 53 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**10. PENSION AND RETIREMENT PLANS – (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$893,398, \$850,148 and \$822,054; 86 percent has been contributed for fiscal year 2005, and 100 percent for fiscal years 2004 and 2003.

**11. 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.

**12. 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 partial 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 eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2005 and June 30, 2004, the board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion on June 30, 2005.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS – (Continued)**

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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the allocation rate is 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

The number of participants currently receiving health care benefits is approximately 62,000.

For fiscal year 2005 the amount to fund health care benefits including the surcharge was \$96,432.

**13. 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, 2005, the current amount of unpaid compensated absences in all funds was \$73,406, and the long-term amount was \$908,787.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**14. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2005 the following changes occurred in obligations reported in the government-wide financial statements:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/05</u>	<u>Due Within One Year</u>
School facilities construction and improvement bonds					
Series 1992:					
Capital appreciation bonds	\$1,417,941	\$105,794	\$540,000	\$983,735	\$509,623
Total Series 1992	<u>1,417,941</u>	<u>105,794</u>	<u>540,000</u>	<u>983,735</u>	<u>509,623</u>
Series 1996:					
Current interest bonds	7,365,000		7,365,000		
Capital appreciation bonds	837,874	65,299	325,000	578,173	298,456
Total Series 1996	<u>8,202,874</u>	<u>65,299</u>	<u>7,690,000</u>	<u>578,173</u>	<u>298,456</u>
Series 2001:					
Current interest bonds	3,005,000		45,000	2,960,000	60,000
Capital appreciation bonds	222,125	25,709		247,834	
Total Series 2001	<u>3,227,125</u>	<u>25,709</u>	<u>45,000</u>	<u>3,207,834</u>	<u>60,000</u>
Series 2002:					
Current interest bonds	2,570,000		40,000	2,530,000	40,000
Capital appreciation bonds	464,981	29,981		494,962	
Total Series 2002	<u>3,034,981</u>	<u>29,981</u>	<u>40,000</u>	<u>3,024,962</u>	<u>40,000</u>
Series 2004					
Current interest bonds		6,635,000		6,635,000	150,000
Capital appreciation bonds		921,157		921,157	
Unamortized Bond Premium		839,040	34,616	804,424	49,355
Total Series 2004		<u>8,395,197</u>	<u>34,616</u>	<u>8,360,581</u>	<u>199,355</u>
Total General obligation bonds	<u>15,882,921</u>	<u>8,621,980</u>	<u>8,349,616</u>	<u>16,155,285</u>	<u>1,107,434</u>
Compensated absences payable	901,116	7,671		908,787	
Total	<u>\$16,784,037</u>	<u>\$8,629,651</u>	<u>\$8,349,616</u>	<u>\$17,064,072</u>	<u>\$1,107,434</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 of December 1, 2002. The term bonds were refunded in advance on December 1, 2002 with replacement bonds issued on November 26, 2002.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**14. LONG-TERM OBLIGATIONS – (Continued)**

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

<b>Maturity Date</b>	<b>Original Principal Amount</b>	<b>Accreted Value at Maturity</b>
2005	\$49,720	\$545,000
2006	45,841	540,000

The value of the capital appreciation bonds at June 30, 2005, was \$983,735. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$888,174 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. . All current interest serial bonds had been retired as of August 17, 2004. The term bonds were refunded in advance on August 17, 2004, with replacement bonds issued on August 17, 2004.

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

<b>Maturity Date</b>	<b>Original Principal Amount</b>	<b>Accreted Value at Maturity</b>
2005	\$126,106	\$325,000
2006	118,582	325,000

The value of the capital appreciation bonds reported at June 30, 2005, was \$578,173. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$333,485 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:

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**14. LONG-TERM OBLIGATIONS – (Continued)**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2005	\$60,000	3.80%
2006	100,000	3.90%
2007	120,000	4.00%

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**14. LONG-TERM OBLIGATIONS – (Continued)**

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

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, 2005, was \$247,833. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$102,833 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**14. LONG-TERM OBLIGATIONS – (Continued)**

**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:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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, 2005, was \$494,962. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$59,962 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

**School Improvement Replacement Bonds – 2004**

Proceeds from the outstanding bonds were used for the purpose of refunding a portion of general obligation refunding bonds, dated June 26, 1996, which were issued for the purpose of school building construction and improvement bonds dated June 1, 1996. The refunded debt is considered defeased and accordingly; has been removed from the statement of net assets.

The refunding bonds were issued on August 17, 2004. The bonds consisted of \$6,635,000 in current interest serial bonds and \$729,997 in capital appreciation bonds.

This current refunding was undertaken to reduce total debt service payments over the next 17 years by \$591,524 and resulted in an economic gain of \$472,143.

The refunding bonds outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a current tax levy.



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**14. LONG-TERM OBLIGATIONS – (Continued)**

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

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2006	\$150,000	2.50%
2007	150,000	2.50%
2008	480,000	2.50%
2013	495,000	3.50%
2014	510,000	3.70%
2015	525,000	3.80%
2016	550,000	3.90%
2017	565,000	4.00%
2018	590,000	4.10%
2019	615,000	4.20%
2020	645,000	4.25%
2021	665,000	4.35%
2022	695,000	4.45%

The current interest bonds maturing on or after December 1, 2015, 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 December 1, 2014, 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 \$729,997 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>
2009	\$232,461	\$490,000
2010	195,363	490,000
2011	164,189	490,000
2012	137,984	490,000

The value of the capital appreciation bonds reported at June 30, 2005, was \$921,157. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$191,160 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**14. LONG-TERM OBLIGATIONS – (Continued)**

The scheduled payments of principal and interest on debt outstanding at June 30, 2005, are as follows:

<b>Fiscal year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2006	\$1,107,435	\$537,911	\$1,645,346
2007	1,093,184	579,452	1,672,636
2008	1,144,318	550,623	1,694,941
2009	1,005,825	686,941	1,692,766
2010	977,158	712,382	1,689,540
2011 – 2015	4,056,494	2,400,043	6,456,537
2016 – 2020	4,046,775	1,056,374	5,103,149
2021 – 2025	2,479,094	264,327	2,743,421
2026	245,000	6,278	251,278
Total	<u>\$16,155,283</u>	<u>\$6,794,331</u>	<u>\$22,949,614</u>

**15. 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 \$44,630. Financial information can be obtained from Robin Pfund, 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. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, 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, 2005  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

**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 22-900 State Route 34, Archbold, Ohio 43502.

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves a twenty-five county area 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.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**17. 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 \$1,381,962. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, 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 \$1,183 to the WCGRP to cover the costs of administering the program.

**C. Ohio School Plan**

The District participates in the Ohio School Plan (the Plan), an insurance purchasing pool established under Section 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.

**18. 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 2005, 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, 2005  
(Continued)**

**18. SET-ASIDE CALCULATIONS AND FUND RESERVES – (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.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2004	(\$539,325)		\$35,028	(\$504,297)
Current Year Set-aside Requirement	193,188	\$193,188		386,376
Qualifying Disbursements	(264,450)	(409,064)	(35,028)	(708,542)
Set-aside Cash Balance as of June 30, 2005	<u>(\$610,587)</u>	<u>(\$215,876)</u>	<u>\$ -</u>	<u>(\$826,463)</u>
Set-aside Amounts Carried Forward to Fiscal Year 2006	<u>(\$610,587)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$610,587)</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may be used to offset future textbook set-aside requirements. The negative capital acquisition balance may not be used to offset future requirements.

**19. 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.

**20. INTERFUND TRANSFERS**

During the year ended June 30, 2004, the following transfers in and out occurred:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$26,000
All Other Government Funds		
Food Service Fund	\$23,500	
Uniform School Supplies Fund	2,500	
Building Fund	12,149	
Permanent Improvements Fund		12,149
Total All Other Government Funds	<u>38,149</u>	<u>12,149</u>
Total All Funds	<u>\$38,149</u>	<u>\$38,149</u>

Transfers from the General fund were made to move unrestricted balances to support programs and projects accounted for in other funds. The transfer from the Building fund was to move unexpended monies remaining from a building project.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**21. 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 are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the applicable fund. 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, 2005.

**B. Litigation**

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



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Archbold Area Local School District  
Fulton County  
600 Lafayette Street  
Archbold, Ohio 43502-1656

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Archbold Area Local School District, Fulton County (the Government) as of and for the year ended June 30, 2005, which collectively comprise the Government's basic financial statements and have issued our report thereon dated January 20, 2006, wherein we noted the Government did not include financial data for its legally separate component unit. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Government's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Government's management dated January 20, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Government's management dated January 20, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Education. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

January 20, 2006



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Thirty percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2005-001**  
(Continued)

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	ORC § 5705.41 (D) improper certification of expenditures by the fiscal officer.	No	Not corrected. Repeated as finding number 2005-001.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
FEBRUARY 9, 2006**