



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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Mary Taylor, CPA

Auditor of State

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 Archbold Area Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Archbold Area Local School District, Fulton County, Ohio, as of June 30, 2008, and the respective changes in financial position, thereof and the 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 February 12, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

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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.

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

Mary Taylor, CPA
Auditor of State

February 12, 2009

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of the financial performance of Archbold Area Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- The District retired \$1,185,000 in general obligation bonds from amounts accumulated in the Bond Retirement Debt Service Fund.
- In total, net assets increased \$1,001,314. Major factors contributing to the increase include the Tangible Personal Property guarantee by the state as a result of HB66 and decreases in instructional expenses due to the final effects of the retirement buy-out.
- General revenues accounted for \$13,289,906, or 89 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$1,673,654 or 11 percent of total revenues of \$14,963,560.
- The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had \$12,576,817 in revenues and other financing sources and \$11,538,068 in expenditures. The General Fund's balance increased \$1,038,749 from the prior fiscal year. The Bond Retirement Fund had \$2,204,759 in revenues and \$1,690,650 in expenditures. The Bond Retirement Fund's balance increased \$514,109 from the prior fiscal year.
- The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

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

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

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

For the District, the General Fund is by far the most significant fund. The General Fund and the Bond Retirement Fund are the only two major funds.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2008
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 2008. 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 programs and services such as instruction, support services, non-instructional services, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2008 compared to fiscal year 2007.

Table 1		
Net Assets		
Governmental Activities		
	2008	2007
<u>Assets:</u>		
Current and Other Assets	\$17,029,236	\$17,947,042
Capital Assets, Net	18,253,823	18,763,746
Total Assets	35,283,059	36,710,788
<u>Liabilities:</u>		
Current and Other Liabilities	8,294,884	9,665,027
Long-Term Liabilities	14,331,185	15,390,085
Total Liabilities	22,626,069	25,055,112
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	6,543,826	5,868,844
Restricted	3,770,660	3,367,875
Unrestricted	2,342,504	2,418,957
Total	\$12,656,990	\$11,655,676

Total assets decreased by \$1,427,729. This decrease is partly due to property tax receivables having decreased due to the phase out of tangible personal property tax and the donation of additions to the sports complex.

Total liabilities decreased \$2,429,043, less than 10 percent due to payments on long-term debt and a decrease to the employee benefits liability due to staff retirements.

Total net assets increased by \$1,001,314 (9 percent). Net assets invested in capital assets increased by \$674,982 and restricted net assets increased by \$402,785, due to the retirement of debt issues. Unrestricted net assets decreased by \$76,453, due primarily to the early retirement incentive plan.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2008 compared to fiscal year 2007.

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

	<u>2008</u>	<u>Restated 2007</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$930,052	\$866,180
Operating Grants, Contributions and Interest	734,418	831,853
Capital Grants and Contributions	9,184	540,093
Total Program Revenues	<u>1,673,654</u>	<u>2,238,126</u>
General Revenues:		
Property Taxes	7,402,186	8,710,614
Grants and Entitlements	5,382,210	4,726,889
Tax Abatements		1,993,638
Interest	334,111	321,875
Gifts and Donations	13,426	11,492
Miscellaneous	157,973	158,681
Proceeds from Sale of Capital Assets		57,250
Total General Revenues	<u>13,289,906</u>	<u>15,980,439</u>
Total Revenues	<u>14,963,560</u>	<u>18,218,565</u>
<u>Expenses:</u>		
Instruction	7,613,197	8,135,340
Support Services:		
Pupils	824,889	844,483
Instructional Staff	480,282	382,023
Board of Education	43,474	39,844
Administration	738,180	993,935
Fiscal	407,971	405,546
Operation and Maintenance of Plant	1,284,088	1,281,295
Pupil Transportation	606,904	523,720
Operational of Non-Instructional Services	425,030	488,632
Extracurricular Activities	763,053	678,425
Capital Outlay	67,648	40,285
Interest and Fiscal Charges	707,530	773,214
Total Expenses	<u>13,962,246</u>	<u>14,586,742</u>
Change in Net Assets	1,001,314	\$3,631,823
Beginning Net Assets	11,655,676	8,023,853
Ending Net Assets	<u>\$12,656,990</u>	<u>\$11,655,676</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Program revenues decreased by \$564,472 (25 percent), much of the decrease were due from the 2007 addition of the athletic complex donated by the Archbold Athletic Building Club.

General revenues decreased by \$2,690,533 (17 percent), which is attributed to decreases in the amount of property tax received and the amounts received from grants, entitlements and tax abatement revenues.

Total expenses decreased by \$624,496 (4 percent) due to changes to personnel and benefit packages.

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>
	2008	2008	2007	2007
Instruction	\$7,613,197	\$6,979,552	\$8,135,340	\$7,493,246
Support Services:				
Pupils	824,889	537,980	844,483	562,520
Instructional Staff	480,282	477,082	382,023	376,532
Board of Education	43,474	43,474	39,844	39,844
Administration	738,180	733,180	993,935	988,935
Fiscal	407,971	407,971	405,546	405,546
Operation and Maintenance of Plant	1,284,088	1,278,906	1,281,295	1,275,357
Pupil Transportation	606,904	580,053	523,720	494,918
Non-Instructional	425,030	(23,188)	488,632	21,278
Extracurricular Activities	763,053	498,404	678,425	(123,059)
Capital Outlay	67,648	67,648	40,285	40,285
Interest and Fiscal Charges	707,530	707,530	773,214	773,214
Total Expenses	<u>\$13,962,246</u>	<u>\$12,288,592</u>	<u>\$14,586,742</u>	<u>\$12,348,616</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 91 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 88 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Bond Retirement Fund. General Fund revenues were increased by 6 percent from 2007 primarily as a result of increases in intergovernmental revenues from increased grant funding and tangible personal property tax guaranteed payments. General Fund expenditures decreased by 1 percent from 2007, which can be attributed to changes in personnel and related fringe benefits. Bond Retirement Fund revenues decreased by 5 percent, and expenditures increased by 1 percent. Decrease in revenues is attributed to a decrease in tax collections.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The net increase in the General Fund balance for fiscal year 2007 was \$212,413, compared to a net increase of \$1,038,749 for fiscal year 2008. This was primarily a result of increase in revenue specifically collections related to the tangible personal property tax guarantee and grant funding and decrease in expenses primarily due to changes in personnel due to attrition and a early retirement incentive in 2007. The net increase in the Bond Retirement Fund balance for fiscal year 2007 was \$651,302 compared to \$514,109 for fiscal year 2008. This was a result of revenue collections exceeding expenditures.

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 2008, the District amended its General Fund budget as needed.

Final budgeted revenues and other financing sources were \$12,852,915, the same as the original budget estimates. Actual revenues and other financing sources were less than 1% below final budgeted amounts.

Final expenditures and other financing uses were budgeted at \$12,546,004, which was less than 2 percent below the original budget estimates. Actual expenditures and other financing uses were \$551,751 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 2008, the District had \$18,253,823 invested in capital assets (net of accumulated depreciation) for governmental activities, decrease of 2.7 percent from the beginning of the year amount of \$18,763,746. The decrease was attributed to depreciation charges for capital assets. For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2008, the District's long-term obligations, which include general obligation bonds payable and compensated absences, were \$14,331,185, down 7 percent from the end of fiscal year 2007 primarily due to the amortization of the bond refinancing and additional debt service payments made in 2008.

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 Fund.

At June 30, 2008, the District's overall legal debt margin was \$7,286,617, with an un-voted debt margin of \$230,529.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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 State Foundation funding formula is based on the number of students residing within the School District boundaries attending public and community schools. The School District has not experienced a significant increase in enrollment over the past several years. The district revenue from the state has not increased and projections indicate there will not be an increase due to the funding formula "guarantee". The district approved open enrollment beginning the 2006-2007 school year and for the first time will salvage some of the funding leaving to open enrollment. The School District received an Excellent with Distinction Rating on the 2007-2008 Local Report Card from the State. This rating is the 8th consecutive Excellence rating for the district.

In November 2006, the District passed a 5 year, 4.91 mill Emergency Levy for operating purposes. This levy provides a source of funds for the financial operations and stability for a period of time. The District's future finances will be affected by state funding for schools in light of the eleven year old DeRolph court case and the long-term effects of public utility deregulation. Due to the passage of HB66, the District will be experiencing a significant loss of tangible personal property (inventory) value. The loss of revenue, approximately \$2.7 million, will impact the district greatly. The state guarantee as in law with HB66 will completely phase out by 2018.

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 Christine Ziegler, Treasurer, Archbold Area Local School District, 600 Lafayette St., Archbold, Ohio 43502-1656.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Assets
June 30, 2008**

		<u>Governmental Activities</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	7,448,165
Materials and Supplies Inventory		7,119
Accrued Interest Receivable		9
Accounts Receivable		3,604
Intergovernmental Receivable		46,769
Taxes Receivable		7,838,413
Payments in Lieu of Taxes Receivable		1,028,798
Unamortized Bond Costs		656,359
Non-Depreciable Capital Assets		583,053
Depreciable Capital Assets, net		<u>17,670,770</u>
Total Assets		<u><u>35,283,059</u></u>
 LIABILITIES:		
Accounts Payable		21,363
Accrued Wages and Benefits		976,437
Intergovernmental Payable		267,839
Matured Compensated Absences Payable		104,987
Deferred Revenue		6,924,258
Long-Term Liabilities:		
Due Within One Year		1,188,372
Due in More Than One Year		<u>13,142,813</u>
Total Liabilities		<u><u>22,626,069</u></u>
 NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		6,543,826
Restricted for Debt Service		3,560,398
Restricted for Capital Outlay		308
Restricted for Other Purposes		209,954
Unrestricted		<u>2,342,504</u>
Total Net Assets	\$	<u><u>12,656,990</u></u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Activities
June 30, 2008**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 6,301,809	\$ 341,253	\$ 101,376	\$ 9,184
Special	1,058,944		173,957	(5,849,996)
Vocational	192,901		7,875	(884,987)
Other	59,543			(185,026)
Support Services:				
Pupils	824,889		286,909	(59,543)
Instructional Staff	480,282		3,200	(537,980)
Board of Education	43,474			(477,082)
Administration	738,180		5,000	(43,474)
Fiscal	407,971			(733,180)
Operation and Maintenance of Plant	1,284,088	5,182		(407,971)
Pupil Transportation	606,904		26,851	(1,278,906)
Operation of Non-Instructional Services	425,030	318,968	129,250	(580,053)
Extracurricular Activities	763,053	264,649		23,188
Capital Outlay	67,648			(498,404)
Debt Service:				
Interest and Fiscal Charges	707,530			(67,648)
Totals	\$ 13,962,246	\$ 930,052	\$ 734,418	\$ 9,184
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				
				5,871,942
Property Taxes, Levied for Debt Service				
				1,530,244
Grants and Entitlements not Restricted to Specific Programs				
				5,382,210
Gifts and Donations				
				13,426
Investment Earnings				
				334,111
Miscellaneous				
				157,973
Total General Revenues				
				13,289,906
Change in Net Assets				
				1,001,314
Net Assets Beginning of Year				
				11,655,676
Net Assets End of Year				
				\$ 12,656,990

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2008**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,833,609	\$ 3,390,982	\$ 223,574	\$ 7,448,165
Materials and Supplies Inventory			7,119	7,119
Accrued Interest Receivable	9			9
Accounts Receivable	3,429		175	3,604
Interfund Receivable	2,060			2,060
Intergovernmental Receivable			46,769	46,769
Payments in Lieu of Taxes Receivable	1,028,798			1,028,798
Taxes Receivable	6,406,615	1,431,798		7,838,413
Total Assets	\$ 11,274,520	\$ 4,822,780	\$ 277,637	\$ 16,374,937
Liabilities				
Current Liabilities:				
Accounts Payable	20,772		591	21,363
Accrued Wages and Benefits	927,694		48,743	976,437
Interfund Payable			2,060	2,060
Intergovernmental Payable	251,858		15,981	267,839
Matured Compensated Absences Payable	104,987			104,987
Deferred Revenue	6,826,498	1,292,576	31,324	8,150,398
	8,131,809	1,292,576	98,699	9,523,084
Fund Balances				
Reserved:				
Reserved for Encumbrances	24,717		13,294	38,011
Reserved for Inventory			7,119	7,119
Reserved for Property Taxes	50,684	12,379		63,063
Unreserved, Undesignated, Reported in:				
General Fund	3,067,310			3,067,310
Special Revenue Funds			158,217	158,217
Debt Service Funds		3,517,825		3,517,825
Capital Projects Funds			308	308
Total Fund Balances	3,142,711	3,530,204	178,938	6,851,853
Total Liabilities and Fund Balances	\$ 11,274,520	\$ 4,822,780	\$ 277,637	\$ 16,374,937

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, 2008**

Total Governmental Fund Balances	\$	6,851,853
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		18,253,823
Taxes Receivable and Payments in Lieu of Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		1,226,140
Unamortized Bond Costs		656,359
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	\$	(13,460,956)
Compensated Absences Payable		(870,229)
		(14,331,185)
Net Assets of Governmental Activities	\$	12,656,990

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, 2008**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property and Other Local Taxes	\$ 6,384,070	\$ 1,636,015		\$ 8,020,085
Intergovernmental	4,970,753	568,744	612,397	6,151,894
Interest	332,512		1,599	334,111
Tuition and Fees	319,327		19,050	338,377
Rent	5,182			5,182
Extracurricular Activities			264,649	264,649
Gifts and Donations	9,700		3,726	13,426
Customer Sales and Services			318,968	318,968
Payments in Lieu of Taxes	427,714			427,714
Miscellaneous	126,317		31,656	157,973
Total Revenues	<u>12,575,575</u>	<u>2,204,759</u>	<u>1,252,045</u>	<u>16,032,379</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	5,921,836		80,744	6,002,580
Special	851,479		120,204	971,683
Vocational	177,030		294	177,324
Other	59,313		230	59,543
Support Services:				
Pupils	545,882		291,253	837,135
Instructional Staff	456,115		5,876	461,991
Board of Education	43,474			43,474
Administration	734,463	1,912	13,238	749,613
Fiscal	366,489	43,153		409,642
Operation and Maintenance of Plant	1,270,632			1,270,632
Pupil Transportation	687,642			687,642
Operation of Non-Instructional Services			421,837	421,837
Extracurricular Activities	356,065		299,474	655,539
Capital Outlay	67,648			67,648
Debt Service:				
Principal		1,185,000		1,185,000
Interest		460,585		460,585
Total Expenditures	<u>11,538,068</u>	<u>1,690,650</u>	<u>1,233,150</u>	<u>14,461,868</u>
Excess of Revenues Over Expenditures	<u>1,037,507</u>	<u>514,109</u>	<u>18,895</u>	<u>1,570,511</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	1,242			1,242
Transfers Out			(1,242)	(1,242)
Total Other Financing Sources and Uses	<u>1,242</u>		<u>(1,242)</u>	
Net Change in Fund Balances	1,038,749	514,109	17,653	1,570,511
Fund Balance at Beginning of Year	2,103,962	3,016,095	161,285	5,281,342
Fund Balance at End of Year	<u>\$ 3,142,711</u>	<u>\$ 3,530,204</u>	<u>\$ 178,938</u>	<u>\$ 6,851,853</u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds \$ 1,570,511

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	\$ 290,656	
Depreciation	<u>(800,537)</u>	(509,881)

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 (loss) on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(42)
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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:

Payments in Lieu of Taxes	(427,714)	
Intergovernmental	(23,206)	
Delinquent Property Taxes	<u>(617,899)</u>	(1,068,819)

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

1,185,000

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		(246,945)
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Some expenses reported on the statement of activities, such as compensated absences that do not require use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable	<u>71,490</u>	
		<u>71,490</u>

Change in Net Assets of Governmental Activities	\$	<u><u>1,001,314</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 Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 6,661,129	\$ 6,661,129	\$ 6,566,013	\$ (95,116)
Intergovernmental	5,035,886	5,035,886	4,970,753	(65,133)
Interest	350,000	350,000	332,524	(17,476)
Tuition and Fees	254,750	254,750	319,356	64,606
Rent	6,000	6,000	5,182	(818)
Gifts and Donations	3,000	3,000	9,700	6,700
Payments in Lieu of Taxes	427,714	427,714	427,714	
Miscellaneous	12,376	12,376	10,579	(1,797)
Total Revenues	<u>12,750,855</u>	<u>12,750,855</u>	<u>12,641,821</u>	<u>(109,034)</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,412,395	6,226,348	6,065,067	161,281
Special	848,843	845,793	869,704	(23,911)
Vocational	189,209	193,809	178,805	15,004
Other	74,477	69,537	62,716	6,821
Support Services:				
Pupils	574,663	576,421	573,016	3,405
Instructional Staff	466,045	466,320	446,667	19,653
Board of Education	41,436	42,543	48,076	(5,533)
Administration	1,048,660	1,050,854	936,090	114,764
Fiscal	393,743	399,497	367,461	32,036
Operation and Maintenance of Plant	1,429,646	1,435,145	1,275,420	159,725
Pupil Transportation	690,046	715,028	696,736	18,292
Extracurricular Activities	375,582	376,584	375,347	1,237
Capital Outlay	83,125	83,125	67,648	15,477
Total Expenditures	<u>12,627,870</u>	<u>12,481,004</u>	<u>11,962,753</u>	<u>518,251</u>
Excess of Revenues Over Expenditures	<u>122,985</u>	<u>269,851</u>	<u>679,068</u>	<u>409,217</u>
Other Financing Sources and Uses:				
Transfers In			1,242	1,242
Advances In	10,060	10,060	30,500	20,440
Proceeds from Sale of Capital Assets	2,000	2,000		(2,000)
Refund of Prior Year Expenditures	90,000	90,000	114,336	24,336
Transfers Out	(30,000)	(30,000)		30,000
Advances Out	(35,000)	(35,000)	(31,500)	3,500
Total Other Financing Sources and Uses	<u>37,060</u>	<u>37,060</u>	<u>114,578</u>	<u>77,518</u>
Net Change in Fund Balances	160,045	306,911	793,646	486,735
Fund Balance at Beginning of Year	2,793,519	2,793,519	2,793,519	
Prior Year Encumbrances Appropriated	201,204	201,204	201,204	
Fund Balance at End of Year	<u>\$ 3,154,768</u>	<u>\$ 3,301,634</u>	<u>\$ 3,788,369</u>	<u>\$ 486,735</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, 2008**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>52,976</u>	\$ <u>56,377</u>
Total Assets	<u>52,976</u>	<u>56,377</u>
Liabilities		
Current Liabilities:		
Undistributed Monies	<u> </u>	<u>56,377</u>
Total Liabilities	<u> </u>	\$ <u>56,377</u>
Net Assets		
Held in Trust for Scholarships	<u>52,976</u>	<u> </u>
Total Net Assets	<u>\$ 52,976</u>	<u> </u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2008**

	<u>Private Purpose Trust</u>
ADDITIONS:	
Interest	\$ <u>2,678</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>8,265</u>
Change in Net Assets	(5,587)
Net Assets Beginning of Year	<u>58,563</u>
Net Assets End of Year	\$ <u><u>52,976</u></u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

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 400th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 53 classified employees and 91 certified teaching personnel, who provide services to 1,299 students and other community members. The board oversees the operations of the District's four instructional/support facilities.

The Reporting Entity

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

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

The District is associated with organizations, which are defined as jointly governed organizations, a related organization and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the 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 17, 18, and 19 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, 2008
(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, 2008
(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 Fund - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

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

Fiduciary Funds

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

C. Measurement Focus

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

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

D. Basis of Accounting

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 2008, 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 2008, was \$332,512 for the General Fund, which includes \$167,047 assigned from other funds, and \$1,599 for the Winzeler Trust Fund.

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

G. Inventory

On 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.

J. Unamortized Issuance Costs

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and are generally paid from debt proceeds.

On the governmental fund financial statements, issuance costs are recognized in the period in which the debt is issued.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

H. Capital Assets

General capital assets are those assets not specifically related to activities and 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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	45 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.

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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. There were no assets restricted by enabling legislation.

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, property taxes, and encumbrances.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Interfund Transactions

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the government wide statement of net assets.

Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments made for interfund services provided and used are not eliminated.

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 Title VI-B IDEA Grant Fund, Preschool Disabilities Grant Fund, and Limited English Proficiency Grant Fund (special revenue funds) are pass-through grant in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting of 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 2008.

3. CORRECTION OF AN ERROR AND RESTATEMENT OF NET ASSETS

In prior years, the District incorrectly recorded payments in lieu of taxes receivable.

	<u>Governmental Type Activity</u>
Net Assets, June 30, 2007	\$ 10,199,164
Adjustment to restate to Net Assets:	
Payment in Lieu of Taxes Receivable	1,456,512
Restated Net Assets at July 1, 2007	<u>\$ 11,655,676</u>

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2008, the Uniform School Supplies and Title I, special revenue funds, had a deficit fund balance of \$1,503 and \$629, respectively, 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

Proceeds from a general operating levy were credited to the bond retirement fund contrary to Ohio law. These monies should have been recorded in the General fund.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	\$1,038,749
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2007, Received In Cash FY 2008	792,935
Accrued FY 2008, Not Yet Received in Cash	(726,689)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(1,684,756)
Accrued FY 2008, Not Yet Paid in Cash	1,419,647
Advances Net	(1,000)
Encumbrances Outstanding at Year End (Budget Basis)	(45,240)
Budget Basis	\$793,646

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

6. 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;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement be at least two percent and to be marked to market daily, and that 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 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

6. DEPOSITS AND INVESTMENTS – (CONTINUED)

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 \$175 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, \$2,175,085 of the District's bank balance of \$7,682,286 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.

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes for 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

7. PROPERTY TAXES – (CONTINUED)

Public utility real and tangible personal property taxes for 2008 were levied after April 1, 2007, on the assessed values as of December 31, 2006, 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 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes for 2008 were levied after April 1, 2007, on the value as of December 31, 2007. 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.

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, 2008, are available to finance fiscal year 2008 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, 2008 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 2008 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, 2008, was \$50,684 in the General Fund, and \$12,379 in the Debt Service Fund. The amount available as an advance at June 30, 2007, was \$212,222 in the General Fund and \$63,128 in the Debt Service Fund.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$113,263,950	47%	\$116,498,200	51%
Industrial/Commercial	77,446,570	32%	75,567,970	33%
Public Utility	9,055,240	4%	7,710,660	3%
Tangible Personal	42,534,912	17%	30,751,759	13%
Total Assessed Value	<u>\$242,300,672</u>	<u>100%</u>	<u>\$230,528,589</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$49.56		\$52.46	

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2008, 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.

	Amount
Accounts Receivable:	
General Fund	
Tuition and Fees	\$72
Miscellaneous	3,357
Total General Fund	3,429
All Other Governmental Funds	
Tuition and Fees	110
Extracurricular	65
Total All Other Governmental Funds	175
Total Accounts Receivable	\$3,604
Intergovernmental Receivable:	
All Other Governmental Funds	
Federal Grant Monies	
Title I Fund	\$15,445
Drug Free Schools Fund	1,554
Title II-A Fund	29,770
Total Intergovernmental Receivable	\$46,769

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/07	Reclassification	Additions	Reductions	Balance at 6/30/08
Governmental Activities					
Nondepreciable Capital Assets					
Land	\$743,418	(\$160,365)			\$583,053
Total Nondepreciable Capital Assets	743,418	(160,365)			583,053
Depreciable Capital Assets					
Land Improvements	1,789,202	181,808	\$71,873		2,042,883
Buildings and Building Improvements	22,314,835	43,257			22,358,092
Furniture, Fixtures, and Equipment	1,404,446	(64,699)	55,069	11,863	1,382,953
Vehicles	976,790		163,714	55,073	1,085,431
Total Depreciable Capital Assets	26,485,273	160,356	290,656	66,936	26,869,359
Less Accumulated Depreciation					
Land Improvements	240,376	(43,257)	112,614		309,733
Buildings and Building Improvements	6,781,813	43,258	531,392		7,356,463
Furniture, Fixtures, and Equipment	605,030		74,036	11,821	667,245
Vehicles	837,726		82,495	55,073	865,148
Total Accumulated Depreciation	8,464,945	1	800,537	66,894	9,198,589
Depreciable Capital Assets, Net	18,020,328	160,365	(509,881)	42	17,670,770
Governmental Activities Capital Assets, Net	\$18,763,746		(\$509,881)	\$42	\$18,253,823

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$439,569
Special	36,605
Vocational	26,992
Support Services:	
Instructional Staff	4,790
Fiscal	935
Operation and Maintenance of Plant	79,357
Pupil Transportation	74,202
Operation of Non-Instructional Services	2,828
Extracurricular	135,259
Total Depreciation Expense	<u>\$800,537</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

10. 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 19). 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 19). 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 19). 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, 2008
(Continued)**

11. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853 or by visiting the SERS website at www.ohsers.org.

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 2008, 9.16 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$150,507, \$163,218, and \$157,725 respectively; 55 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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, or by visiting the STRS Ohio website at www.strsoh.org.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

11. PENSION AND RETIREMENT PLANS – (CONTINUED)

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.

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, 2008, plan members are 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, 2008, 2007, and 2006, were \$1,091,996, \$1,116,690, and \$963,320, respectively; 89 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2007 and 2006.

12. EARLY RETIREMENT INCENTIVE PLAN

Under the current negotiated agreement for certified employees, the seven (7) most senior certificated employees are eligible for the Early Retirement Incentive Plan. The plan will be in effect from March 19, 2007 through March 18, 2008. The option is only offered at those times. The District paid \$34,733 in July 2008 to the Early Retirement Incentive Plan.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

12. EARLY RETIREMENT INCENTIVE PLAN – (CONTINUED)

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

13. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2008, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$84,000 for fiscal year 2008.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2008, the balance in the Fund was \$3.7 billion. For the fiscal year ended June 30, 2008, net health care costs paid by STRS Ohio were \$288,878,000 and STRS Ohio had 126,506 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was .66%. The District's contributions for the year ended June 30, 2008, were \$10,844, which equaled the required contributions for the year.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

13. POSTEMPLOYMENT BENEFITS – (CONTINUED)

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits; the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18%. The actuarially required contribution (ARC), as of the June 30, 2008, annual valuation, was 13.41% of covered payroll. The ARC represents a level of 15.44 Rev.2/08 Page 3 of 4.funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District's contributions for the years ended June 30, 2008, 2007, and 2006, were \$97,739, \$74,893, and \$74,102, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800)878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

14. COMPENSATED ABSENCES

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

14. COMPENSATED ABSENCES – (CONTINUED)

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.

15. LONG-TERM OBLIGATIONS

During the year ended June 30, 2008, the following changes occurred in obligations reported in the government-wide financial statements:

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/08</u>	<u>Due Within One Year</u>
School facilities construction and improvement bonds					
Series 2001:					
Current interest bonds	\$2,800,000		\$120,000	\$2,680,000	
Capital appreciation bonds	299,250	\$25,708		324,958	\$115,625
Total Series 2001	<u>3,099,250</u>	<u>25,708</u>	<u>120,000</u>	<u>3,004,958</u>	<u>115,625</u>
Series 2002:					
Current interest bonds	2,450,000			2,450,000	585,000
Capital appreciation bonds	554,924	29,981	584,905		
Total Series 2002	<u>3,004,924</u>	<u>29,981</u>	<u>584,905</u>	<u>2,450,000</u>	<u>585,000</u>
Series 2004					
Current interest bonds	6,335,000		480,000	5,855,000	
Capital appreciation bonds	1,303,478	191,161		1,494,639	438,392
Unamortized Bond Premium	705,714		49,355	656,359	49,355
Total Series 2004	<u>8,344,192</u>	<u>191,161</u>	<u>529,355</u>	<u>8,005,998</u>	<u>487,747</u>
Total General obligation bonds	<u>14,448,366</u>	<u>246,850</u>	<u>1,234,260</u>	<u>13,460,956</u>	<u>1,188,372</u>
Compensated absences payable	941,719		71,490	870,229	
Total	<u>\$15,390,085</u>	<u>\$246,850</u>	<u>\$1,305,750</u>	<u>\$14,331,185</u>	<u>\$1,188,372</u>

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 were retired during the year.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

15. LONG-TERM OBLIGATIONS – (CONTINUED)

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

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

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

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

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

15. 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	\$125,000
2009	50,000	125,000
2010	45,000	125,000

The value of the capital appreciation bonds reported at June 30, 2008 was \$324,958. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$179,958 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, 2008
(Continued)**

15. 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>
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 matured on December 1, 2007 with an accreted values of \$584,095.

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 \$729,797 in capital appreciation bonds.

The refunding bonds outstanding are general obligations of the District for which 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 payment is derived from a current tax levy.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

15. 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>
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 \$727,997 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, 2008 was \$1,494,639. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$764,642 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, 2008
(Continued)**

15. LONG-TERM OBLIGATIONS – (Continued)

The scheduled payments of principal and interest on debt outstanding at June 30, 2008 are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$1,188,372	\$555,801	\$1,744,173
2010	1,149,476	589,170	1,738,646
2011	1,125,722	615,287	1,741,009
2012	1,128,347	598,945	1,727,292
2013	679,355	351,753	1,031,108
2014 – 2018	3,746,775	1,360,701	5,107,476
2019 – 2023	3,742,809	540,149	4,282,958
2024 - 2026	700,100	55,094	755,194
Total	<u>\$13,460,956</u>	<u>\$4,666,900</u>	<u>\$18,127,856</u>

16. PAYMENTS IN LIEU OF TAXES

According to State law, Fulton County has entered into agreements with a number of property owners under which Fulton County has granted property tax abatements to those property owners. The property owners have agreed to make payments which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The agreements provide for a portion of these payments to be made to the School District. The agreements are for a ten year period. The property owner's contractually promise to make these payments in lieu of taxes until the agreement expires.

17. 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 \$50,119. Financial information can be obtained from 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, 2008
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. 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.

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, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

18. 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, Laura Hutchison, Clerk/Treasurer, at 205 Stryker Street, Archbold, Ohio 43502.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

19. 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 \$1,037,462. 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 \$1,288 to the WCGRP to cover the costs of administering the program.

C. Ohio School Plan

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile, and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financials statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

19. GROUP PURCHASING POOLS – (CONTINUED)

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	2007	2006
Assets	\$2,646,185	\$1,730,236
Liabilities	1,621,941	941,026
Members' Equity	1,024,244	789,210

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, www.ohioschoolplan.org.

20. SET-ASIDE CALCULATIONS

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Textbooks	Capital Acquisition	Totals
Set-aside Cash Balance as of June 30, 2007	(\$645,993)	\$96,805	(\$549,188)
Current Year Set-aside Requirement	204,796	204,796	409,592
Qualifying Disbursements	(214,046)	(363,001)	(577,047)
Set-aside Cash Balance as of June 30, 2008	(655,243)	(\$61,400)	(716,643)
Set-aside Amounts Carried Forward to Fiscal Year 2009	(\$655,243)		

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts 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.

21. INTERFUND TRANSFERS

Transfers consisted of the following at June 30, 2008, as reported on the fund statements:

Transfer In	Transfer Out	Amount
General	Public School Support Fund	\$1,272

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

21. INTERFUND TRANSFERS – (CONTINUED)

Interfund balances consisted of the following at June 30, 2008, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Uniform School Supplies	\$2,060

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008, are reported on the statement of net assets.

22. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and 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, 2008.

B. Litigation

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

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Mary Taylor, CPA

Auditor of State

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 the Archbold Area Local School District, Fulton County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 12, 2009. 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 District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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www.auditor.state.oh.us

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is not a material weaknesses.

We also noted a certain internal control matter that we reported to the District's management in a separate letter dated February 12, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District'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 2008-001.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 12, 2009

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Citation and Significant Deficiency

Ohio Revised Code § 5705.10 requires all revenue derived from a levy for current expense within the ten mill limitation must be paid into the general fund. Additionally Ohio Revised Code § 5705.10 (H) requires that money paid into any fund shall be used only for the purposes for which the fund is established.

Property tax revenue in the amount of \$142,389 due to the General fund was incorrectly posted to the Bond Retirement fund.

Improper reporting of revenue could cause management to draw inaccurate conclusions regarding its fiscal position. Management has included the audit adjustment in the accompanying financial statements and to their cash accounting records.

Financial activity should be properly reported in the accounting ledgers so that management can better assess whether or not financial goals are being met on an ongoing basis. As part of the monitoring process, management should review its records to make sure that all amounts are properly reflected in the appropriate funds.

Officials' Response:

We recognize the validity of monitoring and reviewing records and recognize the practice that was utilized to compute the error. Simply stated.....it was an error we assure will not reoccur.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Significant deficiency comment for financial reporting resulting from material adjustments and reclassifications	Yes	
2007-002	Significant deficiency comment for control deficiencies relating to student activity sales project forms	Yes	



Mary Taylor, CPA
Auditor of State

ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 12, 2009