



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



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, 2007, 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, 2007, 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 26, 2008, 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 26, 2008

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
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, 2007. 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 2007 are as follows:

- The District retired \$1,150,000 in general obligation bonds from amounts accumulated in the Bond Retirement Fund.
- In total, net assets increased \$2,175,311. Multiple factors contributed to the increase. Those worth noting include; donations to the district, specifically to the sports stadium, increase in revenues due to the collection of the 4.91 Emergency Levy passed by voters in November, 2006, Tangible Personal Property guarantee by the state as a result of HB66 and decreases in expenses which include changes in personnel and benefit packages due to the financial state of the district.
- General revenues accounted for \$14,523,927, or 87 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants and contributions accounted for \$2,238,126 or 13 percent of total revenues of \$16,762,053.
- The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had \$11,899,258 in revenues and other financing sources and \$11,686,845 in expenditures. The General Fund's balance increased \$212,413 from the prior fiscal year. The Bond Retirement Fund had \$2,321,420 in revenues and \$1,670,118 in expenditures. The Bond Retirement Fund's balance increased \$651,302 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, 2007
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 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The General Fund and the Bond Retirement 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, 2007
Unaudited
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2007 compared to fiscal year 2006.

**Table 1
Net Assets
Governmental Activities**

	2007	Restated 2006
<u>Assets:</u>		
Current and Other Assets	\$16,490,530	\$15,799,027
Capital Assets, Net	18,763,746	19,036,763
Total Assets	35,254,276	34,835,790
<u>Liabilities:</u>		
Current and Other Liabilities	9,665,027	10,574,581
Long-Term Liabilities	15,390,085	16,237,356
Total Liabilities	25,055,112	26,811,937
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	5,868,844	4,932,345
Restricted	3,367,875	2,462,359
Unrestricted	962,445	629,149
Total	\$10,199,164	\$8,023,853

Total assets increased by \$418,486. This increase is partly due to property tax receivables having increased with the collection of the emergency levy and the donation of additions to the sports complex.

Total liabilities decreased \$1,756,825, less than 7 percent due to payments on long-term debt.

Total net assets increased by \$2,175,311 (27 percent). Net assets invested in capital assets increased by \$936,499 and restricted net assets increased by \$905,516, due to the retirement of debt issues. Unrestricted net assets increased by \$333,296, 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, 2007
Unaudited
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2007 compared to fiscal year 2006.

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

	<u>2007</u>	<u>Restated 2006</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$866,180	\$693,188
Operating Grants, Contributions and Interest	831,853	568,917
Capital Grants and Contributions	540,093	1,933,156
Total Program Revenues	<u>2,238,126</u>	<u>3,195,261</u>
General Revenues:		
Property Taxes	8,710,614	8,650,548
Grants and Entitlements	4,726,889	3,821,628
Tax Abatements	537,126	1,021,463
Interest	321,875	224,136
Gifts and Donations	11,492	2,050
Miscellaneous	158,681	46,872
Proceeds from Sale of Capital Assets	57,250	
Total General Revenues	<u>14,523,927</u>	<u>13,766,697</u>
Total Revenues	<u>16,762,053</u>	<u>16,961,958</u>
<u>Expenses:</u>		
Instruction	8,135,340	9,205,266
Support Services:		
Pupils	844,483	503,999
Instructional Staff	382,023	369,407
Board of Education	39,844	44,765
Administration	993,935	923,344
Fiscal	405,546	398,250
Operation and Maintenance of Plant	1,281,295	1,435,074
Pupil Transportation	523,720	566,367
Central		9,578
Operational of Non-Instructional Services	488,632	582,396
Extracurricular Activities	678,425	529,018
Capital Outlay	40,285	38,669
Interest and Fiscal Charges	773,214	839,079
Total Expenses	<u>14,586,742</u>	<u>15,445,212</u>
Change in Net Assets	2,175,311	1,516,746
Beginning Net Assets	8,023,853	6,507,107
Ending Net Assets	<u>\$10,199,164</u>	<u>\$8,023,853</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Program revenues decreased by \$957,135 (30 percent), much of the decrease due from the 2006 addition of the athletic complex donated by the Archbold Athletic Building Club.

General revenues increased by \$757,230 (6 percent), which is attributed to increases in the amounts of property tax received based on an emergency operating levy and the amounts received from grants and entitlements.

Total expenses decreased by \$858,470 (6 percent) as a result of 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>
	2007	2007	2006	2006
Instruction	\$8,135,340	\$7,493,246	\$9,205,266	\$8,690,737
Support Services:				
Pupils	844,483	562,520	503,999	498,619
Instructional Staff	382,023	376,532	369,407	352,729
Board of Education	39,844	39,844	44,765	44,765
Administration	993,935	988,935	923,344	923,344
Fiscal	405,546	405,546	398,250	398,250
Operation and Maintenance of Plant	1,281,295	1,275,357	1,435,074	1,435,074
Pupil Transportation	523,720	494,918	566,367	566,367
Central			9,578	9,578
Non-Instructional	488,632	21,278	582,396	123,371
Extracurricular Activities	678,425	(123,059)	529,018	(1,670,631)
Capital Outlay	40,285	40,285	38,669	38,669
Interest and Fiscal Charges	773,214	773,214	839,079	839,079
Total Expenses	<u>\$14,586,742</u>	<u>\$12,348,616</u>	<u>\$15,445,212</u>	<u>\$12,249,951</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 92 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 85 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

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 4 percent from 2006 primarily as a result of collections beginning in 2007 for an emergency operating levy, personal property tax replacement and open enrollment receipts received through the state school foundations system. General Fund expenditures decreased by 6 percent from 2006, which can be attributed to changes in personnel and related fringe benefits. Bond Retirement Fund revenues increased by 6 percent, and expenditures increased by 2 percent. Revenue and expenditure increases were a result of personal property tax replacement receipts received from the state and additional debt payments made during the fiscal year.

The net decrease in the General Fund balance for fiscal year 2006 was \$1,080,175, compared to a net increase of \$212,413 for fiscal year 2007. This was primarily a result of increase in revenue specifically tax collections due to the collection of a Emergency Levy beginning 2007, property tax replacement payments received from the state 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 2006 was \$557,699 compared to \$651,302 for fiscal year 2007. 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 2007, the District amended its General Fund budget as needed.

Final budgeted revenues and other financing sources were \$12,492,065, above original budget estimates of \$11,258,837. Of this \$1,233,228 difference, most was due to additional tax revenue approved by voters in November and collected in the 2nd half of the fiscal year. Actual revenues and other financing sources were less than 1% below final budgeted amounts.

Final expenditures and other financing uses were budgeted at \$12,596,052, which was less than four percent above the original budget estimates. Actual expenditures and other financing uses were \$915,831 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 2007, the District had \$18,763,746 invested in capital assets (net of accumulated depreciation) for governmental activities, decrease of 1.4 percent from the beginning of the year amount of \$19,036,763. The decrease was attributed an accounting change in the reporting of depreciation for capital assets. For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2007, the District's long-term obligations, which include general obligation bonds payable and compensated absences, were \$15,390,085 down 5 percent from the end of fiscal year 2006 primarily due to the amortization of the 2005 bond refinancing and additional debt service payments made in 2007.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

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, 2007, the District's overall legal debt margin was \$7,358,694, with an un-voted debt margin of \$242,301.

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

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. Archbold is a small rural community of 4,505 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 District boundaries attending public and community schools. The District has not experienced a significant increase in enrollment over the past several years. The District's revenue from the state has not increased and projections indicate will not 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 District received an Excellent Rating on the 2006-2007 Local Report Card from the State. This rating is the 7th consecutive 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 reimbursements 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, 2007**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	6,029,606
Materials and Supplies Inventory		11,794
Accrued Interest Receivable		21
Accounts Receivable		2,056
Intergovernmental Receivable		83,660
Taxes Receivable		9,657,679
Unamortized Bond Costs		705,714
Non-Depreciable Capital Assets		743,418
Depreciable Capital Assets, net		<u>18,020,328</u>
Total Assets		<u><u>35,254,276</u></u>
LIABILITIES:		
Accounts Payable		20,487
Accrued Wages and Benefits		1,016,343
Intergovernmental Payable		271,780
Matured Compensated Absences Payable		250,320
Deferred Revenue		7,913,338
Early Retirement Incentive Payable		192,759
Long-Term Liabilities:		
Due Within One Year		1,204,279
Due in More Than One Year		<u>14,185,806</u>
Total Liabilities		<u><u>25,055,112</u></u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		5,868,844
Restricted for Debt Service		3,152,060
Restricted for Other Purposes		215,815
Unrestricted		<u>962,445</u>
Total Net Assets	\$	<u><u>10,199,164</u></u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Activities
June 30, 2007**

	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	\$ 6,877,159	\$ 267,132	\$ 87,281	\$ (6,522,746)
Special	941,463		276,490	(664,973)
Vocational	204,098		11,191	(192,907)
Other	112,620			(112,620)
Support Services:				
Pupils	844,483		281,963	(562,520)
Instructional Staff	382,023		5,491	(376,532)
Board of Education	39,844			(39,844)
Administration	993,935		5,000	(988,935)
Fiscal	405,546			(405,546)
Operation and Maintenance of Plant	1,281,295	5,938		(1,275,357)
Pupil Transportation	523,720		28,802	(494,918)
Operation of Non-Instructional Services	488,632	331,719	135,635	(21,278)
Extracurricular Activities	678,425	261,391		123,059
Capital Outlay	40,285		540,093	(40,285)
Debt Service:				
Interest and Fiscal Charges	773,214			(773,214)
Totals	\$ 14,586,742	\$ 866,180	\$ 831,853	\$ 540,093
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				6,829,043
Property Taxes, Levied for Debt Service				1,881,571
Grants and Entitlements not Restricted to Specific Programs				4,726,889
Gifts and Donations				11,492
Investment Earnings				321,875
Payments in Lieu of Taxes				537,126
Miscellaneous				158,681
Proceeds from Sale of Capital Assets				57,250
Total General Revenues				14,523,927
Change in Net Assets				2,175,311
Net Assets Beginning of Year - Restate				8,023,853
Net Assets End of Year				\$ 10,199,164

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2007**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,897,918	\$ 2,846,529	\$ 188,354	\$ 5,932,801
Materials and Supplies Inventory			11,794	11,794
Accrued Interest Receivable	21			21
Accounts Receivable	2,056			2,056
Interfund Receivable	1,060			1,060
Intergovernmental Receivable			83,660	83,660
Taxes Receivable	7,978,764	1,678,915		9,657,679
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	96,805			96,805
Total Assets	\$ 10,976,624	\$ 4,525,444	\$ 283,808	\$ 15,785,876
Liabilities				
Current Liabilities:				
Accounts Payable	19,680		807	20,487
Accrued Wages and Benefits	968,260		48,083	1,016,343
Interfund Payable			1,060	1,060
Intergovernmental Payable	253,737		18,043	271,780
Matured Compensated Absences Payable	250,320			250,320
Deferred Revenue	7,187,906	1,509,349	54,530	8,751,785
Early Retirement Incentive Payable	192,759			192,759
	8,872,662	1,509,349	122,523	10,504,534
Fund Balances				
Reserved:				
Reserved for Encumbrances	187,874		32,251	220,125
Reserved for Inventory			11,794	11,794
Reserved for Property Taxes	212,222	63,128		275,350
Reserved for Capital Improvements	96,805			96,805
Unreserved, Undesignated, Reported in:				
General Fund	1,607,061			1,607,061
Special Revenue Funds			117,240	117,240
Debt Service Funds		2,952,967		2,952,967
Total Fund Balances	2,103,962	3,016,095	161,285	5,281,342
Total Liabilities and Fund Balances	\$ 10,976,624	\$ 4,525,444	\$ 283,808	\$ 15,785,876

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, 2007**

Total Governmental Fund Balances	\$	5,281,342
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.		18,763,746
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		838,447
Unamortized Bond Costs		705,714
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	\$	(14,448,366)
Compensated Absences Payable		(941,719)
		(15,390,085)
Net Assets of Governmental Activities	\$	10,199,164

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, 2007**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property and Other Local Taxes	\$ 6,312,482	\$ 1,759,659		\$ 8,072,141
Intergovernmental	4,287,092	561,761	\$ 659,305	5,508,158
Interest	321,875			321,875
Tuition and Fees	252,530		14,602	267,132
Rent	5,938			5,938
Extracurricular Activities			261,391	261,391
Gifts and Donations	3,092		8,400	11,492
Customer Sales and Services			331,719	331,719
Payments in Lieu of Taxes	537,126			537,126
Miscellaneous	121,873		36,808	158,681
Total Revenues	11,842,008	2,321,420	1,312,225	15,475,653
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,304,792		57,019	6,361,811
Special	786,830		115,589	902,419
Vocational	176,754		415	177,169
Other	112,589		31	112,620
Support Services:				
Pupils	562,955		279,902	842,857
Instructional Staff	362,037		7,714	369,751
Board of Education	39,844			39,844
Administration	983,099	1,089	2,543	986,731
Fiscal	360,670	45,749		406,419
Operation and Maintenance of Plant	1,216,071			1,216,071
Pupil Transportation	442,072			442,072
Operation of Non-Instructional Services			485,273	485,273
Extracurricular Activities	298,847		266,099	564,946
Capital Outlay	40,285			40,285
Debt Service:				
Principal		1,150,000		1,150,000
Interest		473,280		473,280
Total Expenditures	11,686,845	1,670,118	1,214,585	14,571,548
Excess of Revenues Over Expenditures	<u>155,163</u>	<u>651,302</u>	<u>97,640</u>	<u>904,105</u>
OTHER FINANCING SOURCES:				
Proceeds from Sale of Capital Assets	57,250			57,250
Total Other Financing Sources	57,250			57,250
Net Change in Fund Balances	212,413	651,302	97,640	961,355
Fund Balance at Beginning of Year	1,891,549	2,364,793	63,645	4,319,987
Fund Balance at End of Year	\$ 2,103,962	\$ 3,016,095	\$ 161,285	\$ 5,281,342

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, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$	961,355
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>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.</p>		
Capital Outlay - Depreciable Capital Assets	\$ 20,629	
Donated Capital Assets	540,093	
Depreciation	<u>(792,318)</u>	(231,596)
<p>The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. The book value of the capital assets removed from the capital asset account on the statement of net assets when disposed of resulted in a loss of capital assets on the statement of activities.</p>		
Loss on Disposal of Capital Assets		(41,421)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Intergovernmental	50,584	
Delinquent Property Taxes	<u>638,473</u>	689,057
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.</p>		
		1,150,000
<p>Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.</p>		
Capital Appreciation Interest		(299,934)
<p>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:</p>		
Compensated Absences Payable		(52,150)
Change in Net Assets of Governmental Activities	\$	<u><u>2,175,311</u></u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 5,982,063	\$ 6,742,665	\$ 6,759,878	\$ 17,213
Intergovernmental	4,174,838	4,359,965	4,287,092	(72,873)
Interest	225,000	329,248	335,910	6,662
Tuition and Fees	169,650	232,608	257,664	25,056
Rent	9,000	9,000	5,938	(3,062)
Gifts and Donations		1,500	3,092	1,592
Payments in Lieu of Taxes	650,000	662,543	537,126	(125,417)
Miscellaneous	45,000	45,000	31,095	(13,905)
Total Revenues	<u>11,255,551</u>	<u>12,382,529</u>	<u>12,217,795</u>	<u>(164,734)</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,289,234	6,468,592	6,291,663	176,929
Special	820,000	801,381	755,587	45,794
Vocational	185,405	185,937	178,816	7,121
Other	145,000	145,000	113,120	31,880
Support Services:				
Pupils	500,660	562,309	540,241	22,068
Instructional Staff	345,393	396,640	361,334	35,306
Board of Education	52,500	52,540	39,786	12,754
Administration	888,984	898,054	861,773	36,281
Fiscal	355,605	373,544	364,312	9,232
Operation and Maintenance of Plant	1,452,848	1,451,458	1,214,544	236,914
Pupil Transportation	472,500	635,580	610,573	25,007
Extracurricular Activities	320,972	323,117	299,187	23,930
Capital Outlay	52,900	52,900	40,285	12,615
Total Expenditures	<u>11,882,001</u>	<u>12,347,052</u>	<u>11,671,221</u>	<u>675,831</u>
Excess of Revenues Over (Under) Expenditures	<u>(626,450)</u>	<u>35,477</u>	<u>546,574</u>	<u>511,097</u>
Other Financing Sources and Uses:				
Advances In	3,286	12,286	11,226	(1,060)
Proceeds from Sale of Capital Assets		2,250	57,250	55,000
Refund of Prior Year Expenditures		95,000	90,921	(4,079)
Transfers Out	(40,000)	(40,000)		40,000
Advances Out			(9,000)	
Other Financing Uses	(200,000)	(200,000)		200,000
Total Other Financing Sources and Uses	<u>(236,714)</u>	<u>(139,464)</u>	<u>150,397</u>	<u>289,861</u>
Net Change in Fund Balances	<u>(863,164)</u>	<u>(103,987)</u>	<u>696,971</u>	<u>800,958</u>
Fund Balance at Beginning of Year	2,085,853	2,085,853	2,085,853	
Prior Year Encumbrances Appropriated	10,695	10,695	10,695	
Fund Balance at End of Year	<u>\$ 1,233,384</u>	<u>\$ 1,992,561</u>	<u>\$ 2,793,519</u>	<u>\$ 800,958</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, 2007**

	Private Purpose Trust	Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents		\$ 57,080
Investments	\$ 58,563	
Total Assets	58,563	57,080
Liabilities		
Current Liabilities:		
Undistributed Monies		57,080
Total Liabilities		57,080
Net Assets		
Held in Trust for Scholarships	58,563	
Total Net Assets	\$ 58,563	\$

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, 2007**

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and Contributions	\$ 7,350
Interest	<u>2,434</u>
Total Additions	<u>9,784</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>574</u>
Total Deductions	<u>574</u>
Change in Net Assets	9,210
Net Assets Beginning of Year	<u>49,353</u>
Net Assets End of Year	<u>\$ 58,563</u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

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 415th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 54 classified employees and 94 certified teaching personnel, who provide services to 1,397 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 16, 17, and 18 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.

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Fiduciary Funds

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2007, 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 2007, was \$321,875 for the General Fund, which includes \$165,104 assigned from other funds, and \$2,434 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

H. Restricted Assets

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$3,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of capital assets is also not capitalized.

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

<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

J. Compensated Absences

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

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

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

K. 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.

L. 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.

M. 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, encumbrances and capital improvements.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

N. 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.

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.

O. 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.

P. 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.

Q. 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 grants in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting or Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2007.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

3. ACCOUNTABILITY

At June 30, 2007, the Uniform School Supplies and Title I, special revenue funds, had a deficit fund balance of \$1,060 and \$774, 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.

4. ACCOUNTING CHANGE

The useful life of buildings was changed from 30 years to 45 years. This change had the following effect on net assets:

Net Assets , as previously reported at June 30, 2006	\$2,369,903
Change in useful life	5,653,950
Net Assets, as restated at July 1, 2007	<u>\$8,023,853</u>

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).

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING – (Continued)

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	\$212,413
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2006, Received In Cash FY 2007	1,259,643
Accrued FY 2007, Not Yet Received in Cash	(793,995)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(1,467,928)
Accrued FY 2007, Not Yet Paid in Cash	1,685,816
Advances Net	2,226
Encumbrances Outstanding at Year End (Budget Basis)	(201,204)
Budget Basis	\$696,971

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;

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

6. DEPOSITS AND INVESTMENTS – (Continued)

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 by 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.

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

Investments may only be made through specified dealers and institutions.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,094,761 of the District's bank balance of \$6,268,698 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

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 2007 represent the collection of calendar year 2006 taxes. Real property taxes for 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2007 were levied after April 1, 2006, on the assessed values as of December 31, 2005, 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 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes for 2007 were levied after April 1, 2006, on the value as of December 31, 2006. 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, 2007, are available to finance fiscal year 2007 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, 2007 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 2007 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, 2007, was \$212,222 in the General Fund, and \$63,128 in the Bond Retirement Fund. The amount available as an advance at June 30, 2006, was \$188,174 in the General Fund and \$70,816 in the Bond Retirement Fund.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

7. PROPERTY TAXES – (Continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$110,210,470	44%	\$113,263,950	47%
Industrial/Commercial	68,273,510	28%	77,446,570	32%
Public Utility	8,972,950	4%	9,055,240	4%
Tangible Personal	58,024,240	24%	42,534,912	17%
Total Assessed Value	<u>\$245,481,170</u>	<u>100%</u>	<u>\$242,300,672</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$48.25		\$49.56	

8. RECEIVABLES

Receivables at June 30, 2007, 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	\$101
Miscellaneous	1,955
Total Accounts Receivable	<u>\$2,056</u>
Intergovernmental Receivable:	
All Other Governmental Funds	
Federal Grant Monies	
Federal Subsidies	13,335
Title I Fund	57,226
Title II-A	13,099
Total Intergovernmental Receivable	<u>\$83,660</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/07</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$743,418			\$743,418
Total Nondepreciable Capital Assets	<u>743,418</u>			<u>743,418</u>
Depreciable Capital Assets				
Land Improvements	1,753,081	36,121		1,789,202
Buildings and Building Improvements	22,388,075	760	74,000	22,314,835
Furniture, Fixtures, and Equipment	902,058	523,841	21,453	1,404,446
Vehicles	1,044,569		67,779	976,790
Total Depreciable Capital Assets	<u>26,087,783</u>	<u>560,722</u>	<u>163,232</u>	<u>26,485,273</u>
Less Accumulated Depreciation				
Land Improvements	136,858	103,518		240,376
Buildings and Building Improvements	6,282,694	533,447	34,328	6,781,813
Furniture, Fixtures, and Equipment	558,668	66,066	19,704	605,030
Vehicles	816,218	89,287	67,779	837,726
Total Accumulated Depreciation	<u>7,794,438</u>	<u>792,318</u>	<u>121,811</u>	<u>8,464,945</u>
Depreciable Capital Assets, Net	<u>18,293,345</u>	<u>(231,596)</u>	<u>41,421</u>	<u>18,020,328</u>
Governmental Activities Capital Assets, Net	<u>\$19,036,763</u>	<u>(\$231,596)</u>	<u>\$41,421</u>	<u>\$18,763,746</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	446,958
Special	36,605
Vocational	26,992
Support Services:	
Pupils	137
Instructional Staff	5,989
Fiscal	1,080
Operation and Maintenance of Plant	68,465
Pupil Transportation	78,304
Operation of Non-Instructional Services	2,705
Extracurricular	125,083
Total Depreciation Expense	<u>\$792,318</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

9. CAPITAL ASSETS – (Continued)

The District restated capital assets as of July 1, 2006 due to a change in the useful life of its buildings from 30 years to 45 as follows:

Balance at June 30, 2006	\$13,382,813
Restatement	5,653,950
Balance Restated	<u>\$19,036,763</u>

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 18). 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 18). 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 18). 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

10. RISK MANAGEMENT – (Continued)

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

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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100 Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$163,218, \$157,725, and \$130,740, respectively; 53 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

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, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(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 divided by 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 of 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, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$1,116,690, \$963,320, and \$893,398, respectively; 89 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

12. EARLY RETIREMENT INCENTIVE PLAN

Under the current negotiated agreement for certificated employees, the seven (7) most senior certificated employees are eligible for an Early Retirement Incentive Plan. The Plan will be in effect from March 19, 2007 through March 18, 2008. This early retirement option is only offered during this time. During fiscal year 2007, the District paid \$196,073 and an additional \$18,838 was paid in July 2007 and \$173,921 was paid in September 2007 to the State Teachers Retirement System for buy out expenditures under the Early Retirement Incentive Plan.

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

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, 2007, 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 \$85,899 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006 (the latest information available), the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$74,893.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(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.

At June 30, 2007, the current amount of unpaid compensated absences in all funds was \$250,320, and the long-term amount was \$941,719.

15. LONG-TERM OBLIGATIONS

During the year ended June 30, 2007, the following changes occurred in obligations reported in the government-wide financial statements:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/06</u>	<u>Due Within One Year</u>
School facilities construction and improvement bonds					
Series 1992:					
Capital appreciation bonds	\$507,056	\$32,944	\$540,000		
Total Series 1992	<u>507,056</u>	<u>32,944</u>	<u>540,000</u>		
Series 1996:					
Capital appreciation bonds	299,859	20,141	320,000		
Total Series 1996	<u>299,859</u>	<u>20,141</u>	<u>320,000</u>		
Series 2001:					
Current interest bonds	2,900,000		100,000	\$2,800,000	\$120,000
Capital appreciation bonds	273,543	25,707		299,250	
Total Series 2001	<u>3,173,543</u>	<u>25,707</u>	<u>100,000</u>	<u>3,099,250</u>	<u>120,000</u>
Series 2002:					
Current interest bonds	2,490,000		40,000	2,450,000	
Capital appreciation bonds	524,943	29,981		554,924	554,924
Total Series 2002	<u>3,014,943</u>	<u>29,981</u>	<u>40,000</u>	<u>3,004,924</u>	<u>554,924</u>
Series 2004					
Current interest bonds	6,485,000		150,000	6,335,000	480,000
Capital appreciation bonds	1,112,317	191,161		1,303,478	
Unamortized Bond Premium	755,069		49,355	705,714	49,355
Total Series 2004	<u>8,352,386</u>	<u>191,161</u>	<u>199,355</u>	<u>8,344,192</u>	<u>529,355</u>
Total General obligation bonds	15,347,787	299,934	1,199,355	14,448,366	
Compensated absences payable	889,569	52,150		941,719	
Total	<u>\$16,237,356</u>	<u>\$352,084</u>	<u>\$1,199,355</u>	<u>\$15,390,085</u>	<u>\$1,204,279</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

15. LONG-TERM OBLIGATIONS – (Continued)

School Improvement Replacement Bonds – 1992

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

School Facilities Construction and Improvement Bonds – 1996

Proceeds from the outstanding bonds were used for the purpose of renovating, repairing and improving existing school buildings and facilities, including improving access for the disabled, and construction of an elementary school. These bonds were issued on June 26, 1996. The bonds consisted of \$9,010,000 in current interest bonds (\$3,450,000 issued as serial bonds and \$5,560,000 issued as term bonds) and \$380,782 in capital appreciation bonds. All current interest serial bonds had been retired as of August 17, 2004. The term bonds were refunded in advance on August 17, 2004 with replacement bonds issued on August 17, 2004. The remaining capital appreciation bonds were retired during the year.

School Facilities Construction and Improvement Bonds – 2001

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

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

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2007	120,000	4.00%

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

15. LONG-TERM OBLIGATIONS – (Continued)

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

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

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

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

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

15. LONG-TERM OBLIGATIONS – (Continued)

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

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

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

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

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

The value of the capital appreciation bonds reported at June 30, 2007, was \$299,250. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$154,250 has been included in the value. The bonds are being retired through the Bond Retirement Fund.

School Improvement Replacement Bonds – 2002

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(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>
2008	585,000	3.00%
2009	600,000	3.15%
2010	625,000	3.40%
2011	640,000	4.00%

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

The capital appreciation bonds were issued in the aggregate original principal amount of \$435,000 and mature on December 1, 2008 with an accreted values of \$585,000.

The value of the capital appreciation bonds reported at June 30, 2007 was \$554,924. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$119,924 has been included in the value. The bonds are being retired through the Bond Retirement Fund.

School Improvement Replacement Bonds – 2004

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

The refunding bonds were issued on August 17, 2004. The bonds consisted of \$6,635,000 in current interest serial bonds and \$729,797 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, 2007
(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>
2008	480,000	2.50%
2013	495,000	3.50%
2014	510,000	3.70%
2015	525,000	3.80%
2016	550,000	3.90%
2017	565,000	4.00%
2018	590,000	4.10%
2019	615,000	4.20%
2020	645,000	4.25%
2021	665,000	4.35%
2022	695,000	4.45%

The current interest bonds maturing on or after December 1, 2015, are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine on any interest payment date on or after December 1, 2014, at 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption. When partial redemption is authorized, the current interest bonds or portions thereof will be selected by lot within a maturity in such manner as the bond registrar may determine, provided, however, that the portion of any such bond so selected will be in the amount of \$5,000 or any integral multiple.

The capital appreciation bonds were issued in the aggregate original principal amount of \$729,997 and mature on December 1 in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2009	\$232,461	\$490,000
2010	195,363	490,000
2011	164,189	490,000
2012	137,984	490,000

The value of the capital appreciation bonds reported at June 30, 2007, was \$1,303,478. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$573,481 has been included in the value. The bonds are being retired through the Bond Retirement Fund.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

15. LONG-TERM OBLIGATIONS – (Continued)

The scheduled payments of principal and interest on debt outstanding at June 30, 2007 are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$1,204,279	\$520,642	\$1,724,921
2009	1,127,589	616,683	1,744,272
2010	1,092,037	646,610	1,738,647
2011	1,071,177	669,832	1,741,009
2012	1,084,345	642,947	1,727,292
2013 – 2017	3,621,775	1,499,135	5,120,910
2018 – 2022	4,337,164	712,211	5,049,375
2023 – 2026	910,000	96,350	1,006,350
Total	<u>\$14,448,366</u>	<u>\$5,404,410</u>	<u>\$19,852,776</u>

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public districts within the boundaries of Defiance, Fulton, Henry, Lucas, Wood, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$45,812. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

17. RELATED ORGANIZATION

Archbold Community Library

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

18. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$1,125,553. 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

18. GROUP PURCHASING POOLS – (Continued)

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 \$1,335 to the WCGRP to cover the costs of administering the program.

C. Ohio School Plan

The school belongs to the Ohio School Plan (the "Plan"), and 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% and is less than 80% does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available):

	2006	2005
Assets	\$1,730,236	\$952,191
Liabilities	\$941,026	\$213,419
Members' Equity	\$789,210	\$738,772

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

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

19. SET-ASIDE CALCULATIONS AND FUND RESERVES – (Continued)

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.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2006	(\$674,051)		(\$674,051)
Current Year Set-aside Requirement	201,671	\$201,671	403,342
Qualifying Disbursements	(173,553)	(104,866)	(278,419)
Set-aside Cash Balance as of June 30, 2007	<u>(\$645,993)</u>	<u>\$96,805</u>	<u>(\$549,128)</u>
Set-aside Amounts Carried Forward to Fiscal Year 2008	<u>(\$645,993)</u>	<u>\$96,805</u>	<u>(\$549,128)</u>

The District had offsets and qualifying disbursements during the year that reduced the textbook set-aside amounts below zero. This amount may be used to offset future textbook set-aside requirements. The capital acquisition balance is carried forward and added to the next years requirement.

20. INTERFUND TRANSACTIONS

No transfers were made the fiscal year ended June 30, 2007.

Interfund balances consisted of the following at June 30, 2007, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Uniform School Supplies	\$1,060

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, 2007, are reported on the statement of net assets.

21. CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

21. CONTINGENCIES – (Continued)

B. Litigation

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

22. CONTRACTUAL COMMITMENT

At June 30, 2007, the District had a contractual commitment relating to the purchase of two new school buses from Cardinal Bus Sales for a total of \$161,314 in fiscal year 2008.

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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, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2008. 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: findings 2007-001 and 2007-002.

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www.auditor.state.oh.us

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. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated February 26, 2008.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 26, 2008.

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

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 26, 2008

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Significant Deficiency

Financial Reporting

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment.

1. Debt principal retired in the amount of \$695,577 was incorrectly posted as interest payments within the Bond Retirement fund.
2. Taxes receivable and the resulting revenue in the amount of \$15,922 relating to the General fund were incorrectly posted to the in the Bond Retirement fund.
3. Restricted cash and the resulting reserve for capital improvements in the General fund was understated by \$66,685.

Sound financial reporting is the responsibility of the Treasurer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board, to identify and correct errors and omissions. The Treasurer should also review the Uniform School Accounting System's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Officials' Response: The debt principal retired posting will be corrected by management. Management will bring the reporting corrections to the attention of the independent public accountant and review the compilation with the assistance of the accountant in order to omit future errors.

FINDING NUMBER 2007-002

Significant Deficiency

Sales Project Potential Forms

Sales Project Potential Forms were not completed for eight known fundraisers. To help ensure that class/project fundraiser revenue is properly accounted for and the full amount of profit for the fundraiser is realized by the class or organization, we recommend a Sales Project Potential Form be completed for each project by the project advisor to summarize the financial activity of the project. The form should initially be submitted for approval of the fundraiser by the appropriate personnel. Once the project is approved and completed, it should be sent to the appropriate personnel for final approval. Once approved, the form should be submitted to the Treasurer. The Treasurer should reconcile the financial activity indicated on the form with the financial activity posted for the fundraiser on the District's books.

Officials' Response: Management will implement procedures with activity advisors to assure Sales Potential Forms are initiated prior to the fund raiser and completed in full upon completion of the fund raiser.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Reportable condition-failure to record personal property tax receivable and resulting income.	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 20, 2008**