



**ARCHBOLD LOCAL SCHOOL DISTRICT
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



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, 2009, 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, 2009, 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 January 15, 2010, 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.

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

January 15, 2010

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009
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, 2009. 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 2009 are as follows:

The District retired \$1,200,000 in general obligation bonds from amounts accumulated in the Bond Retirement Fund.

In total, net assets increased \$572,899. There is not a particular cause for the increase however the district has monitored all expenses in general with hopes of setting the stage for prudent fiscal planning during these tough economic times locally and statewide

General revenues accounted for \$13,389,982, or 89 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$1,677,423 or 11 percent of total revenues of \$15,067,405.

The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had \$12,060,687 in revenues and \$11,889,683 in expenditures and other financing uses. The General Fund's balance increased \$171,004 from the prior fiscal year. The Bond Retirement Fund had \$1,751,173 in revenues and \$1,676,873 in expenditures. The Bond Retirement Fund's balance increased \$74,300 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, 2009
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 2009. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009
Unaudited
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2009 compared to fiscal year 2008.

| Table 1 | | |
|--|--------------|--------------|
| Net Assets | | |
| Governmental Activities | | |
| | 2009 | 2008 |
| <u>Assets:</u> | | |
| Current and Other Assets | \$17,141,936 | \$17,029,236 |
| Capital Assets, Net | 17,689,877 | 18,253,823 |
| Total Assets | 34,831,813 | 35,283,059 |
| <u>Liabilities:</u> | | |
| Current and Other Liabilities | 8,260,290 | 8,294,884 |
| Long-Term Liabilities | 13,341,634 | 14,331,185 |
| Total Liabilities | 21,601,924 | 22,626,069 |
| <u>Net Assets:</u> | | |
| Invested in Capital Assets, Net of Related Debt | 6,962,911 | 6,543,826 |
| Restricted | 4,000,119 | 3,770,660 |
| Unrestricted | 2,266,859 | 2,342,504 |
| Total | \$13,229,889 | \$12,656,990 |

Total assets decreased by \$451,246. This decrease in assets is partly due to the district acquiring assets by donation in the previous year that was not repeated in the current year and the normal course of recognizing depreciation on capital assets.

Total liabilities decreased \$1,024,145, less than 5 percent due to payments on long-term debt.

Total net assets increased by \$572,899 (5 percent). Net assets invested in capital assets increased by \$419,085 and restricted net assets increased by \$229,459, due to the retirement of debt issues. Unrestricted net assets decreased by \$75,645.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009
Unaudited
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2009 compared to fiscal year 2008.

| | 2009 | 2008 |
|--|--------------|--------------|
| Table 2 | | |
| Change in Net Assets | | |
| Governmental Activities | | |
| <u>Revenues:</u> | | |
| Program Revenues: | | |
| Charges for Services and Sales | \$875,195 | \$930,052 |
| Operating Grants, Contributions and Interest | 802,228 | 734,418 |
| Capital Grants and Contributions | | 9,184 |
| Total Program Revenues | 1,677,423 | 1,673,654 |
| General Revenues: | | |
| Property Taxes | 7,040,465 | 7,402,264 |
| Grants and Entitlements | 5,981,304 | 5,382,132 |
| Interest | 190,046 | 334,111 |
| Gifts and Donations | 6,287 | 13,426 |
| Miscellaneous | 171,880 | 157,973 |
| Total General Revenues | 13,389,982 | 13,289,906 |
| Total Revenues | 15,067,405 | 14,963,560 |
| <u>Expenses:</u> | | |
| Instruction | 7,948,726 | 7,613,197 |
| Support Services: | | |
| Pupils | 875,294 | 824,889 |
| Instructional Staff | 522,214 | 480,282 |
| Board of Education | 39,897 | 43,474 |
| Administration | 765,292 | 738,180 |
| Fiscal | 385,233 | 407,971 |
| Operation and Maintenance of Plant | 1,433,779 | 1,284,088 |
| Pupil Transportation | 532,277 | 606,904 |
| Operational of Non-Instructional Services | 487,878 | 425,030 |
| Extracurricular Activities | 740,233 | 763,053 |
| Capital Outlay | 103,303 | 67,648 |
| Interest and Fiscal Charges | 660,380 | 707,530 |
| Total Expenses | 14,494,506 | 13,962,246 |
| Change in Net Assets | 572,899 | 1,001,314 |
| Beginning Net Assets | 12,656,990 | 11,655,676 |
| Ending Net Assets | \$13,229,889 | \$12,656,990 |

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009
Unaudited
(Continued)**

Program revenues increased by \$3,769 (less than 1 percent).

General revenues increased by \$100,076 (less than 1 percent).

Total expenses increased by \$532,260 (4 percent) due to changes to personnel and benefit packages.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 3
Governmental Activities**

| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
|------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2009 | 2009 | 2008 | 2008 |
| Instruction | \$7,948,726 | \$7,346,647 | \$7,613,197 | \$6,979,552 |
| Support Services: | | | | |
| Pupils | 875,294 | 641,996 | 824,889 | 537,980 |
| Instructional Staff | 522,214 | 497,522 | 480,282 | 477,082 |
| Board of Education | 39,897 | 39,897 | 43,474 | 43,474 |
| Administration | 765,292 | 751,292 | 738,180 | 733,180 |
| Fiscal | 385,233 | 385,233 | 407,971 | 407,971 |
| Operation and Maintenance of Plant | 1,433,779 | 1,426,611 | 1,284,088 | 1,278,906 |
| Pupil Transportation | 532,277 | 499,925 | 606,904 | 580,053 |
| Non-Instructional | 487,878 | (36,476) | 425,030 | (23,188) |
| Extracurricular Activities | 740,233 | 500,753 | 763,053 | 498,404 |
| Capital Outlay | 103,303 | 103,303 | 67,648 | 67,648 |
| Interest and Fiscal Charges | 660,380 | 660,380 | 707,530 | 707,530 |
| Total Expenses | <u><u>\$14,494,506</u></u> | <u><u>\$12,817,083</u></u> | <u><u>\$13,962,246</u></u> | <u><u>\$12,288,592</u></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 88 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Bond Retirement Fund. General Fund revenues were decreased by 4 percent from 2008 primarily as a result of decreases in property and other local taxes as a result of Tangible Personal Property Tax loss. General Fund expenditures increased by 3 percent from 2008, which can be attributed to changes in personnel and related fringe benefits. Bond Retirement Fund revenues decreased by 20 percent, and expenditures increased by 1 percent. Decrease in revenues is attributed to a decrease in tax collections.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009
Unaudited
(Continued)**

The net increase in the General Fund balance for fiscal year 2008 was \$1,038,749, compared to a net increase of \$171,004 for fiscal year 2009. This was primarily a result of a decrease in revenue specifically collections related to the tangible personal property tax. The net increase in the Bond Retirement Fund balance for fiscal year 2008 was \$514,109 compared to \$74,300 for fiscal year 2009. 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 2009, the District amended its General Fund budget as needed.

Final budgeted revenues and other financing sources were \$12,332,287, the same as the original budget estimates. Actual revenues and other financing sources were less than 1 percent above final budgeted amounts.

Final expenditures and other financing uses were budgeted at \$12,651,571, which was less than 1 percent above the original budget estimates. Actual expenditures and other financing uses were \$692,116 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 2009, the District had \$17,689,877 invested in capital assets (net of accumulated depreciation) for governmental activities, decrease of 3.1 percent from the beginning of the year amount of \$18,253,823. The increase was attributed to reporting 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, 2009, the District's long-term obligations, which include general obligation bonds payable and compensated absences, were \$13,341,634, down 7 percent from the end of fiscal year 2008 primarily due to the amortization of the bond refinancing and additional debt service payments made in 2009.

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, 2009, the District's overall legal debt margin was \$7,192,152, with an un-voted debt margin of \$218,008.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009
Unaudited
(Continued)**

Current Issues

The District is concerned for its own in the state of a declining economy and uncertainty in State funding. Archbold is a small rural community of 4,290 people in Northwest Ohio and has a number of small businesses and several industrial manufacturing companies. Some of the manufacturing business has recently been affected by the economy and are experiencing shut downs and layoffs. Agriculture plays an important part of the economy as well.

The State Foundation funding formula is based on the number of students residing within the School District boundaries attending public and community schools. The School District has not experienced an increase in enrollment over the past several years. The district revenue from the state has not increased and projections indicate there will not be an increase due to the funding formula "guarantee". HB1 does not fund the guarantee at 100% and also includes State Fiscal Stabilization Funds (SFSF) to offset the state foundation funding this biennial period. This in itself causes great concern by the district for the future of the state's support to fund education. The district approved open enrollment beginning the 2006-2007 school year and for the first time salvaged some of the funding leaving to open enrollment. The School District received an Excellent with Distinction Rating on the 2008-2009 Local Report Card from the State. This rating is the 9th consecutive Excellence rating for the district.

In November 2006 the District passed a 5 year, 4.91 mill Emergency Levy for operating purposes. This levy provides a source of funds for the financial operations and stability for a period of time. The District's future finances will be affected by state funding for schools in light of the twelve 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 guarantees as in law with HB66 will completely phase out by 2018 however with the passage of HB1, the guarantee will remain constant thru FY13 before the phase out begins at HB66 levels in FY14.

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, 2009**

| | | Governmental Activities |
|---|----|------------------------------------|
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | \$ | 8,282,065 |
| Materials and Supplies Inventory | | 6,465 |
| Accrued Interest Receivable | | 5 |
| Accounts Receivable | | 7,094 |
| Intergovernmental Receivable | | 36,899 |
| Taxes Receivable | | 7,132,033 |
| Revenue in Lieu of Taxes Receivable | | 1,070,371 |
| Unamortized Bond Costs | | 607,004 |
| Non-Depreciable Capital Assets | | 583,053 |
| Depreciable Capital Assets, net | | <u>17,106,824</u> |
| Total Assets | | <u>34,831,813</u> |
| LIABILITIES: | | |
| Accounts Payable | | 93,482 |
| Accrued Wages and Benefits | | 1,028,065 |
| Intergovernmental Payable | | 282,010 |
| Matured Compensated Absences Payable | | 18,909 |
| Deferred Revenue | | 6,837,824 |
| Long-Term Liabilities: | | |
| Due Within One Year | | 1,243,298 |
| Due in More Than One Year | | <u>12,098,336</u> |
| Total Liabilities | | <u>21,601,924</u> |
| NET ASSETS: | | |
| Invested in Capital Assets, Net of Related Debt | | 6,962,911 |
| Restricted for Debt Service | | 3,637,954 |
| Restricted for Capital Outlay | | 160,629 |
| Restricted for Other Purposes | | 201,536 |
| Unrestricted | | <u>2,266,859</u> |
| Total Net Assets | \$ | <u><u>13,229,889</u></u> |

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Activities
June 30, 2009**

| | Program Revenues | | | Net(Expense) Revenue and Changes in Net Assets |
|---|--------------------------------------|--|----------------------------|---|
| Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities | |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 6,671,308 | \$ 316,229 | \$ 25,771 | \$ (6,329,308) |
| Special | 1,043,490 | | 248,660 | (794,830) |
| Vocational | 210,027 | | 11,419 | (198,608) |
| Student Intervention Services | 6,220 | | | (6,220) |
| Other | 17,681 | | | (17,681) |
| Support Services: | | | | |
| Pupils | 875,294 | | 233,298 | (641,996) |
| Instructional Staff | 522,214 | | 24,692 | (497,522) |
| Board of Education | 39,897 | | | (39,897) |
| Administration | 765,292 | | 14,000 | (751,292) |
| Fiscal | 385,233 | | | (385,233) |
| Operation and Maintenance of Plant | 1,433,779 | 7,168 | | (1,426,611) |
| Pupil Transportation | 532,277 | | 32,352 | (499,925) |
| Operation of Non-Instructional Services | 487,878 | 312,318 | 212,036 | 36,476 |
| Extracurricular Activities | 740,233 | 239,480 | | (500,753) |
| Capital Outlay | 103,303 | | | (103,303) |
| Debt Service: | | | | |
| Interest and Fiscal Charges | 660,380 | | | (660,380) |
| Totals | \$ 14,494,506 | \$ 875,195 | \$ 802,228 | (12,817,083) |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes, Levied for General Purposes | | | | 5,624,576 |
| Property Taxes, Levied for Capital Outlay | | | | 221,435 |
| Property Taxes, Levied for Debt Service | | | | 1,194,454 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 5,981,304 |
| Gifts and Donations | | | | 6,287 |
| Investment Earnings | | | | 190,046 |
| Miscellaneous | | | | 171,880 |
| Total General Revenues | | | | 13,389,982 |
| Change in Net Assets | | | | 572,899 |
| Net Assets Beginning of Year | | | | 12,656,990 |
| Net Assets End of Year | | | | \$ 13,229,889 |

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2009**

| | General Fund | Bond Retirement Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------------------------|---|---|
| Assets | | | | |
| Current Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 4,318,413 | \$ 3,550,305 | \$ 413,347 | \$ 8,282,065 |
| Materials and Supplies Inventory | | | 6,465 | 6,465 |
| Accrued Interest Receivable | 5 | | | 5 |
| Accounts Receivable | 5,347 | | 1,747 | 7,094 |
| Interfund Receivable | 7,865 | | | 7,865 |
| Intergovernmental Receivable | | | 36,899 | 36,899 |
| Taxes Receivable | 5,686,350 | 1,076,174 | 369,509 | 7,132,033 |
| Revenue in Lieu of Taxes Receivable | 1,070,371 | | | 1,070,371 |
| Total Assets | \$ 11,088,351 | \$ 4,626,479 | \$ 827,967 | \$ 16,542,797 |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 47,071 | | 46,411 | 93,482 |
| Accrued Wages and Benefits | 978,300 | | 49,765 | 1,028,065 |
| Interfund Payable | | | 7,865 | 7,865 |
| Intergovernmental Payable | 263,991 | | 18,019 | 282,010 |
| Matured Compensated Absences Payable | 18,688 | | 221 | 18,909 |
| Deferred Revenue | 6,466,586 | 1,021,975 | 361,392 | 7,849,953 |
| | 7,774,636 | 1,021,975 | 483,673 | 9,280,284 |
| Fund Balances | | | | |
| Reserved: | | | | |
| Reserved for Encumbrances | 17,575 | | 19,488 | 37,063 |
| Reserved for Inventory | | | 6,465 | 6,465 |
| Reserved for Property Taxes | 227,775 | 45,506 | 22,923 | 296,204 |
| Unreserved, Undesignated, Reported in: | | | | |
| General Fund | 3,068,365 | | | 3,068,365 |
| Special Revenue Funds | | | 171,192 | 171,192 |
| Debt Service Funds | | 3,558,998 | | 3,558,998 |
| Capital Projects Funds | | | 124,226 | 124,226 |
| Total Fund Balances | 3,313,715 | 3,604,504 | 344,294 | 7,262,513 |
| Total Liabilities and Fund Balances | \$ 11,088,351 | \$ 4,626,479 | \$ 827,967 | \$ 16,542,797 |

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, 2009**

| | | |
|--|--------------|--------------------------|
| Total Governmental Fund Balances | \$ | 7,262,513 |
| 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. | | 17,689,877 |
| Taxes Receivable and Payments in Lieu of Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund. | | 1,012,129 |
| Unamortized Bond Costs | | 607,004 |
| Some liabilities are not due and payable in the current period and, therefore, not reported in the funds: | | |
| General Obligation Bonds Payable | (12,428,570) | |
| Compensated Absences Payable | (913,064) | |
| | | <u>(13,341,634)</u> |
| Net Assets of Governmental Activities | \$ | <u><u>13,229,889</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 Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009**

| | <u>General Fund</u> | <u>Bond Retirement Fund</u> | <u>All Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------------------|---|---|
| REVENUES: | | | | |
| Property and Other Local Taxes | \$ 5,605,091 | \$ 1,191,198 | \$ 221,435 | \$ 7,017,724 |
| Intergovernmental | 5,599,169 | 559,975 | 637,713 | 6,796,857 |
| Interest | 190,046 | | | 190,046 |
| Tuition and Fees | 300,436 | | 15,793 | 316,229 |
| Rent | 7,168 | | | 7,168 |
| Extracurricular Activities | | | 239,480 | 239,480 |
| Gifts and Donations | 1,338 | | 4,949 | 6,287 |
| Customer Sales and Services | | | 312,318 | 312,318 |
| Payments in Lieu of Taxes | 223,427 | | | 223,427 |
| Miscellaneous | 134,012 | | 37,868 | 171,880 |
| Total Revenues | 12,060,687 | 1,751,173 | 1,469,556 | 15,281,416 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 6,121,568 | | 43,257 | 6,164,825 |
| Special | 925,045 | | 121,434 | 1,046,479 |
| Vocational | 181,768 | | 413 | 182,181 |
| Student Intervention Services | 6,220 | | | 6,220 |
| Other | 17,681 | | | 17,681 |
| Support Services: | | | | |
| Pupils | 635,698 | | 229,031 | 864,729 |
| Instructional Staff | 492,470 | | 25,287 | 517,757 |
| Board of Education | 39,897 | | | 39,897 |
| Administration | 747,120 | 1,108 | 13,149 | 761,377 |
| Fiscal | 345,560 | 32,354 | 4,618 | 382,532 |
| Operation and Maintenance of Plant | 1,340,863 | | 17,585 | 1,358,448 |
| Pupil Transportation | 646,647 | | | 646,647 |
| Operation of Non-Instructional Services | | | 507,547 | 507,547 |
| Extracurricular Activities | 348,845 | | 278,877 | 627,722 |
| Capital Outlay | 38,241 | | 65,062 | 103,303 |
| Debt Service: | | | | |
| Principal | | 1,200,000 | | 1,200,000 |
| Interest | | 443,411 | | 443,411 |
| Total Expenditures | 11,887,623 | 1,676,873 | 1,306,260 | 14,870,756 |
| Excess of Revenues Over Expenditures | <u>173,064</u> | <u>74,300</u> | <u>163,296</u> | <u>410,660</u> |
| OTHER FINANCING SOURCES AND USES: | | | | |
| Transfers In | | | 2,060 | 2,060 |
| Transfers Out | (2,060) | | | (2,060) |
| Total Other Financing Sources and Uses | (2,060) | | 2,060 | |
| Net Change in Fund Balances | 171,004 | 74,300 | 165,356 | 410,660 |
| Fund Balance at Beginning of Year | 3,142,711 | 3,530,204 | 178,938 | 6,851,853 |
| Fund Balance at End of Year | <u>\$ 3,313,715</u> | <u>\$ 3,604,504</u> | <u>\$ 344,294</u> | <u>\$ 7,262,513</u> |

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds \$ 410,660

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

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

| | | |
|---|------------------|-----------|
| Capital Outlay - Depreciable Capital Assets | 228,972 | |
| Depreciation | <u>(792,276)</u> | |
| | | (563,304) |

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

| | | |
|------------------------------------|--|-------|
| Loss on Disposal of Capital Assets | | (642) |
|------------------------------------|--|-------|

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

| | | |
|---------------------------|---------------|-----------|
| Payments in Lieu of Taxes | (223,427) | |
| Intergovernmental | (13,325) | |
| Delinquent Property Taxes | <u>22,741</u> | |
| | | (214,011) |

| | | |
|--|--|-----------|
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities. | | 1,200,000 |
|--|--|-----------|

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

| | | |
|-------------------------------|--|-----------|
| Capital Appreciation Interest | | (216,969) |
|-------------------------------|--|-----------|

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

| | | |
|------------------------------|-----------------|-----------------|
| Compensated Absences Payable | <u>(42,835)</u> | |
| | | <u>(42,835)</u> |

| | | |
|---|--|--------------------------|
| Change in Net Assets of Governmental Activities | | \$ <u><u>572,899</u></u> |
|---|--|--------------------------|

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2009**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|------------------------|---------------------|---------------------|---------------------------------------|
| REVENUES: | | | | |
| Property and Other Local Taxes | \$ 5,749,885 | \$ 5,749,885 | \$ 5,923,871 | \$ 173,986 |
| Intergovernmental | 5,541,190 | 5,541,190 | 5,599,169 | 57,979 |
| Interest | 275,000 | 275,000 | 190,050 | (84,950) |
| Tuition and Fees | 307,050 | 307,050 | 300,189 | (6,861) |
| Rent | 6,000 | 6,000 | 7,168 | 1,168 |
| Gifts and Donations | 3,000 | 3,000 | 1,338 | (1,662) |
| Payments in Lieu of Taxes | 223,427 | 223,427 | 223,427 | |
| Miscellaneous | 114,235 | 114,235 | 53,122 | (61,113) |
| Total Revenues | <u>12,219,787</u> | <u>12,219,787</u> | <u>12,298,334</u> | <u>78,547</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 6,393,915 | 6,362,237 | 6,157,519 | 204,718 |
| Special | 970,220 | 995,336 | 916,192 | 79,144 |
| Vocational | 192,138 | 187,963 | 182,030 | 5,933 |
| Student Intervention Services | 6,148 | 6,148 | 6,220 | (72) |
| Other | 55,825 | 47,193 | 18,907 | 28,286 |
| Support Services: | | | | |
| Pupils | 617,481 | 628,479 | 623,991 | 4,488 |
| Instructional Staff | 474,102 | 524,855 | 490,179 | 34,676 |
| Board of Education | 47,961 | 47,961 | 46,735 | 1,226 |
| Administration | 802,538 | 805,527 | 741,492 | 64,035 |
| Fiscal | 374,754 | 374,787 | 346,399 | 28,388 |
| Operation and Maintenance of Plant | 1,424,315 | 1,417,980 | 1,356,857 | 61,123 |
| Pupil Transportation | 782,433 | 788,128 | 677,287 | 110,841 |
| Extracurricular Activities | | | | |
| Academic Oriented Activities | 36,730 | 36,872 | 32,815 | 4,057 |
| Sport Oriented Activities | 320,708 | 320,890 | 306,818 | 14,072 |
| School and Public Service Co-Curricular Act. | 7,988 | 8,140 | 7,848 | 292 |
| Capital Outlay | | | | |
| Building Improvement Services | 10,000 | 10,000 | | 10,000 |
| Other Facilities Acquisition and Construction | 40,325 | 40,325 | 38,241 | 2,084 |
| Total Expenditures | <u>12,557,581</u> | <u>12,602,821</u> | <u>11,949,530</u> | <u>653,291</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(337,794)</u> | <u>(383,034)</u> | <u>348,804</u> | <u>731,838</u> |
| Other Financing Sources and Uses: | | | | |
| Advances In | 2,500 | 2,500 | 2,060 | (440) |
| Refund of Prior Year Expenditures | 110,000 | 110,000 | 79,219 | (30,781) |
| Transfers Out | (22,500) | (22,500) | (2,060) | 20,440 |
| Advances Out | (26,250) | (26,250) | (7,865) | 18,385 |
| Total Other Financing Sources and Uses | <u>63,750</u> | <u>63,750</u> | <u>71,354</u> | <u>7,604</u> |
| Net Change in Fund Balances | (274,044) | (319,284) | 420,158 | 739,442 |
| Fund Balance (Deficit) at Beginning of Year | 3,788,369 | 3,788,369 | 3,788,369 | |
| Prior Year Encumbrances Appropriated | 45,240 | 45,240 | 45,240 | |
| Fund Balance (Deficit) at End of Year | <u>\$ 3,559,565</u> | <u>\$ 3,514,325</u> | <u>\$ 4,253,767</u> | <u>\$ 739,442</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, 2009**

| | <u>Private Purpose Trust</u> | <u>Agency Fund</u> |
|--|----------------------------------|-----------------------------|
| Assets | | |
| Current Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,702 | \$ 64,200 |
| Investments | <u>52,976</u> | <u>64,200</u> |
| Total Assets | <u>54,678</u> | <u>64,200</u> |
| Liabilities | | |
| Current Liabilities: | | |
| Undistributed Monies | <u> </u> | <u>64,200</u> |
| Net Assets | | |
| Held in Trust for Scholarships | <u>54,678</u> | <u> </u> |
| Total Net Assets | <u>\$ 54,678</u> | <u>\$ 64,200</u> |

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2009**

| | <u>Private Purpose Trust</u> |
|------------------------------|----------------------------------|
| ADDITIONS: | |
| Interest | \$ <u>1,702</u> |
| Change in Net Assets | 1,702 |
| Net Assets Beginning of Year | <u>52,976</u> |
| Net Assets End of Year | <u><u>\$ 54,678</u></u> |

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

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 388th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 48 classified employees and 96 certified teaching personnel, who provide services to 1,308 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Governmental Funds

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

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

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

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

Fiduciary Funds

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

C. Measurement Focus

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

E. Budgetary Process

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

F. Cash and Investments

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

During fiscal year 2009, 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 2009, was \$190,046 for the General Fund, which includes \$91,717 assigned from other funds, and \$1,702 for the Winzeler Trust Fund.

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

G. Inventory

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

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

H. Unamortized Issuance Costs

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. 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.

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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.

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, and encumbrances.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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

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

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 grant 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 2009.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

3. ACCOUNTABILITY

At June 30, 2009, the Uniform School Supplies and Title I, special revenue funds, had a deficit fund balance of \$212 and \$1,943, 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. BUDGETARY BASIS OF ACCOUNTING

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

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

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

| Net Change in Fund Balance Major Governmental Fund | |
|---|-------------|
| | |
| GAAP Basis | \$171,004 |
| <u>Increase (Decrease) Due To:</u> | |
| Revenue Accruals: | |
| Accrued FY 2008, Received In Cash FY 2009 | 612,353 |
| Accrued FY 2009, Not Yet Received in Cash | (295,487) |
| Expenditure Accruals: | |
| Accrued FY 2008, Paid in Cash FY 2009 | (1,305,311) |
| Accrued FY 2009, Not Yet Paid in Cash | 1,308,050 |
| Advances Net | (5,805) |
| Encumbrances Outstanding at Year End (Budget Basis) | (64,646) |
| Budget Basis | \$420,158 |

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

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

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

Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement be at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if trading requirements have been met.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

5. DEPOSITS AND INVESTMENTS – (Continued)

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

Investments may only be made through specified dealers and institutions.

At year end, the District had \$175 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

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. All of the District's deposits were covered by securities specifically pledged by the banking institution in the District's name.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes for 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 were levied after April 1, 2008, on the assessed values as of December 31, 2007, 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 2009 (other than public utility property) represent the collection of calendar year 2009 taxes. Tangible personal property taxes for 2009 were levied after April 1, 2008, on the value as of December 31, 2008. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

6. PROPERTY TAXES – (Continued)

The District receives property taxes from Fulton and Henry Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2009, are available to finance fiscal year 2009 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, 2009 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 2009 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, 2009, was \$227,775 in the General Fund, \$45,506 in the Debt Service Fund, and \$22,923 in the Capital Projects Fund. The amount available as an advance at June 30, 2008, was \$50,684 in the General Fund and \$12,379 in the Debt Service Fund.

The assessed values upon which the fiscal year 2009 taxes were collected are:

| | 2008 Second- Half Collections | | 2009 First- Half Collections | |
|--|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential | \$116,498,200 | 51% | \$126,134,149 | 58% |
| Industrial/Commercial | 75,567,970 | 33% | 84,176,140 | 39% |
| Public Utility | 7,710,660 | 3% | 7,697,730 | 3% |
| Tangible Personal | 30,751,759 | 13% | | |
| Total Assessed Value | <u>\$230,528,589</u> | <u>100%</u> | <u>\$218,008,019</u> | <u>100%</u> |
| Tax rate per \$1,000 of assessed valuation | \$52.46 | | \$50.36 | |

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2009, 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.

| Accounts Receivable: | Amount |
|------------------------------------|------------------------|
| General Fund | |
| Tuition and Fees | \$319 |
| Miscellaneous | <u>5,028</u> |
| Total General Fund | 5,347 |
| Public School Support Fund | |
| Extracurricular | 405 |
| Student Activities Fund | |
| Extracurricular | <u>1,342</u> |
| Total All Other Governmental Funds | <u>1,747</u> |
| Total Accounts Receivable | <u><u>\$7,094</u></u> |
| | |
| Intergovernmental Receivable: | |
| All Other Governmental Funds | |
| State Grant Monies | |
| Misc State Fund | \$4,340 |
| Federal Grant Monies | |
| Title I Fund | 14,560 |
| Drug Free Schools Fund | 1,482 |
| Title II-A Fund | <u>16,517</u> |
| Total Intergovernmental Receivable | <u><u>\$36,899</u></u> |

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

| | <u>Balance at 6/30/08</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at 6/30/09</u> |
|---|-------------------------------|--------------------|-------------------|-------------------------------|
| Governmental Activities | | | | |
| Nondepreciable Capital Assets | | | | |
| Land | \$583,053 | | | \$583,053 |
| Total Nondepreciable Capital Assets | <u>583,053</u> | | | <u>583,053</u> |
| Depreciable Capital Assets | | | | |
| Land Improvements | 2,042,883 | | | 2,042,883 |
| Buildings and Building Improvements | 22,358,092 | | \$27,757 | 22,330,335 |
| Furniture, Fixtures, and Equipment | 1,382,953 | \$51,408 | 21,446 | 1,412,915 |
| Vehicles | 1,085,431 | 177,564 | 185,038 | 1,077,957 |
| Total Depreciable Capital Assets | <u>26,869,359</u> | <u>228,972</u> | <u>234,241</u> | <u>26,864,090</u> |
| Less Accumulated Depreciation | | | | |
| Land Improvements | 309,733 | 116,503 | | 426,236 |
| Buildings and Building Improvements | 7,356,463 | 530,446 | 27,757 | 7,859,152 |
| Furniture, Fixtures, and Equipment | 667,245 | 71,384 | 20,804 | 717,825 |
| Vehicles | 865,148 | 73,943 | 185,038 | 754,053 |
| Total Accumulated Depreciation | <u>9,198,589</u> | <u>792,276</u> | <u>233,599</u> | <u>9,757,266</u> |
| Depreciable Capital Assets, Net | <u>17,670,770</u> | <u>(563,304)</u> | <u>642</u> | <u>17,106,824</u> |
| Governmental Activities Capital Assets, Net | <u>\$18,253,823</u> | <u>(\$563,304)</u> | <u>\$642</u> | <u>\$17,689,877</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|------------------|
| Instruction: | |
| Regular | \$448,938 |
| Special | 36,605 |
| Vocational | 26,992 |
| Support Services: | |
| Instructional Staff | 3,113 |
| Fiscal | 333 |
| Operation and Maintenance of Plant | 79,179 |
| Pupil Transportation | 67,610 |
| Operation of Non-Instructional Services | 3,937 |
| Extracurricular | 125,569 |
| Total Depreciation Expense | <u>\$792,276</u> |

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

9. RISK MANAGEMENT

A. Property and Liability

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

The District participates in the Ohio School Plan (the Plan), an insurance purchasing pool (See Note 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.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

10. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.16 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$142,305, \$150,507, and \$163,218 respectively; 51 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

10. PENSION AND RETIREMENT PLANS – (Continued)

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

For the fiscal year ended June 30, 2009, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2009, 2008, and 2007 were \$859,146, \$1,091,996, and \$1,116,690, respectively; 86 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

11. EARLY RETIREMENT INCENTIVE PLAN

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.

12. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement 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 provision 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

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$66,088, \$84,000, and \$85,899 respectively; 87 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

Medicare Part B Plan

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

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was .66%. The District's contributions for the year ended June 30, 2009 were \$10,253, which equaled the required contributions for the year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits; the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2009, the health care allocation was 4.18%. The actuarially required contribution (ARC), as of the June 30, 2009 annual valuation, was 13.41% of covered payroll. The ARC represents a level of 15.44 Rev.2/08 Page 3 of 4.funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District's contributions for the years ended June 30, 2009, 2008, and 2007 were \$95,045, \$97,739, and \$74,893, respectively.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800.

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

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

13. COMPENSATED ABSENCES

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2009 the following changes occurred in obligations reported in the government-wide financial statements:

| | <u>Balance at 6/30/08</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance at 6/30/09</u> | <u>Due Within One Year</u> |
|--------------------------------|-------------------------------|------------------|--------------------|-------------------------------|--------------------------------|
| Series 2001: | | | | | |
| Current interest bonds | \$2,680,000 | | | \$2,680,000 | |
| Capital appreciation bonds | 324,958 | \$25,709 | \$125,000 | 225,667 | \$116,667 |
| Total Series 2001 | <u>3,004,958</u> | <u>25,709</u> | <u>125,000</u> | <u>2,905,667</u> | <u>116,667</u> |
| Series 2002: | | | | | |
| Current interest bonds | 2,450,000 | | 585,000 | 1,865,000 | 600,000 |
| Total Series 2002 | <u>2,450,000</u> | | <u>585,000</u> | <u>1,865,000</u> | <u>600,000</u> |
| Series 2004 | | | | | |
| Current interest bonds | 5,855,000 | | | 5,855,000 | |
| Capital appreciation bonds | 1,494,639 | 191,260 | 490,000 | 1,195,899 | 440,894 |
| Unamortized Bond Premium | 656,359 | | 49,355 | 607,004 | 49,355 |
| Total Series 2004 | <u>8,005,998</u> | <u>191,260</u> | <u>539,355</u> | <u>7,657,903</u> | <u>490,249</u> |
| Total General obligation bonds | 13,460,956 | 216,969 | 1,249,355 | 12,428,570 | 1,206,916 |
| Compensated absences payable | 870,229 | 42,835 | | 913,064 | 36,382 |
| Total | <u>\$14,331,185</u> | <u>\$259,804</u> | <u>\$1,249,355</u> | <u>\$13,341,634</u> | <u>\$1,243,298</u> |

School Facilities Construction and Improvement Bonds – 2001

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

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
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

14. 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, 2009
(Continued)**

14. 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> |
|----------------------|--------------------------------------|---------------------------------------|
| 2009 | 50,000 | 125,000 |
| 2010 | 45,000 | 125,000 |

The value of the capital appreciation bonds reported at June 30, 2009 was \$225,667. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$130,667 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. The capital appreciation bonds have been retired.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

14. LONG-TERM OBLIGATIONS – (Continued)

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

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------------------|-----------------------------|----------------------|
| 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.

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, 2009
(Continued)**

14. LONG-TERM OBLIGATIONS – (Continued)

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

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

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

The capital appreciation bonds were issued in the aggregate original principal amount of \$727,997 and mature on December 1 in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

| <u>Maturity Date</u> | <u>Original Principal Amount</u> | <u>Accreted Value at Maturity</u> |
|----------------------|----------------------------------|-----------------------------------|
| 2009 | 195,363 | 490,000 |
| 2010 | 164,189 | 490,000 |
| 2011 | 137,984 | 490,000 |

The value of the capital appreciation bonds reported at June 30, 2009 was \$1,195,899. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$698,363 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, 2009
(Continued)**

14. LONG-TERM OBLIGATIONS – (Continued)

The scheduled payments of principal and interest on debt outstanding at June 30, 2009 are as follows:

| <u>Fiscal year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|---------------------|--------------------|---------------------|
| 2010 | \$1,206,916 | \$531,730 | \$1,738,646 |
| 2011 | 1,180,266 | 560,743 | 1,741,009 |
| 2012 | 1,172,349 | 554,943 | 1,727,292 |
| 2013 | 679,355 | 351,753 | 1,031,108 |
| 2014 | 699,355 | 327,465 | 1,026,820 |
| 2015 – 2019 | 3,886,775 | 1,213,300 | 5,100,075 |
| 2020 – 2024 | 3,123,454 | 390,323 | 3,513,777 |
| 2025 - 2026 | 480,000 | 24,856 | 504,856 |
| Total | <u>\$12,428,470</u> | <u>\$3,955,113</u> | <u>\$16,383,583</u> |

15. PAYMENTS IN LIEU OF TAXES

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

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 \$30,997. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, 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 209 Nolan Parkway, Archbold, Ohio 43502.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(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, Laura Hutchinson, 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 \$979,785. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$1,209 to the WCGRP to cover the costs of administering the program.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

18. GROUP PURCHASING POOLS – (Continued)

C. Ohio School Plan

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

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

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

The Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

| | 2008 | 2007 |
|-----------------|-------------|-------------|
| Assets | \$3,273,989 | \$2,646,185 |
| Liabilities | 1,873,157 | 1,621,941 |
| Members’ Equity | 1,400,832 | 1,024,244 |

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

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

| | Textbooks | Capital Acquisition | Totals |
|---|------------------|----------------------------|---------------|
| Set-aside Cash Balance as of June 30, 2008 | (\$655,243) | | (\$655,243) |
| Current Year Set-aside Requirement | 205,898 | \$205,898 | 411,796 |
| Qualifying Disbursements | (265,873) | (405,200) | (671,073) |
| Set-aside Cash Balance as of June 30, 2009 | (\$715,218) | (\$199,302) | (\$914,520) |
| Set-aside Amounts Carried Forward to Fiscal Year 2010 | (\$715,218) | | |

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

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

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

20. INTERFUND TRANSFERS

Transfers consisted of the following at June 30, 2009, as reported on the fund statements:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|-------------------------------|---------------------|---------------|
| Public School Support Fund | General | \$2,060 |

Interfund balances consisted of the following at June 30, 2009, as reported on the fund statements:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|---------------|
| General | Uniform School Supplies | \$365 |
| General | District Managed Activities | 7,500 |

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, 2009 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, 2009.

B. Litigation

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

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Archbold Area Local School District, Fulton County, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2010. 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain other matters that we reported to the District's management in a separate letter dated January 15, 2010.

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 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

January 15, 2010

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2008-001 | Material Non Compliance/ Significant Deficiency - Ohio Revised Code § 5705.10 Property tax revenue due to the General fund was incorrectly posted to the Bond Retirement fund. | Yes | |

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Archbold Area Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 19, 2005.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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www.auditor.state.oh.us

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Mary Taylor, CPA
Auditor of State

January 15, 2010



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
FEBRUARY 4, 2010