



Dave Yost • Auditor of State



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

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# Dave Yost • 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, 2010, 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, 2010, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

February 8, 2011

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2010  
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, 2010. 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 2010 are as follows:

The District retired \$1,215,000 in general obligation bonds from amounts accumulated in the Bond Retirement Fund.

In total, net assets increased \$756,815. 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 \$13,016,127, or 86 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$2,150,616 or 14 percent of total revenues of \$15,166,743.

The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had \$11,920,237 in revenues and other financing sources and \$11,353,643 in expenditures. The General Fund's balance increased \$566,594 from the prior fiscal year. The Bond Retirement Fund had \$1,445,263 in revenues and \$1,664,308 in expenditures. The Bond Retirement Fund's balance decreased \$219,045 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, 2010  
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 2010. 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, 2010  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2010 compared to fiscal year 2009.

<b>Table 1</b>		
<b>Net Assets</b>		
<b>Governmental Activities</b>		
	<b>2010</b>	<b>2009</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$16,355,318	\$17,141,936
Capital Assets, Net	17,027,411	17,689,877
Total Assets	33,382,729	34,831,813
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	7,161,331	8,260,290
Long-Term Liabilities	12,234,694	13,341,634
Total Liabilities	19,396,025	21,601,924
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	7,359,459	6,962,911
Restricted	4,128,723	4,000,119
Unrestricted	2,498,522	2,266,859
Total	\$13,986,704	\$13,229,889

Total assets decreased by \$1,449,084. This decrease in assets is partly due to the normal course of recognizing depreciation on capital assets.

Total liabilities decreased \$2,205,899, 10 percent due to payments on long-term debt.

Total net assets increased by \$756,815 (6 percent). Net assets invested in capital assets increased by \$396,548 and restricted net assets increased by \$128,604, due to the retirement of debt issues. Unrestricted net assets increased by \$231,663.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2010  
Unaudited  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2010 compared to fiscal year 2009.

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

	<u>2010</u>	<u>2009</u>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$854,631	\$875,195
Operating Grants, Contributions and Interest	1,295,985	802,228
Total Program Revenues	<u>2,150,616</u>	<u>1,677,423</u>
General Revenues:		
Property Taxes	6,433,679	7,040,465
Grants and Entitlements	6,395,620	5,981,304
Interest	72,603	190,046
Gifts and Donations	10,067	6,287
Miscellaneous	104,158	171,880
Total General Revenues	<u>13,016,127</u>	<u>13,389,982</u>
Total Revenues	<u>15,166,743</u>	<u>15,067,405</u>
<b><u>Expenses:</u></b>		
Instruction	8,110,523	7,948,726
Support Services:		
Pupils	914,944	875,294
Instructional Staff	530,624	522,214
Board of Education	87,537	39,897
Administration	751,383	765,292
Fiscal	378,740	385,233
Operation and Maintenance of Plant	1,154,555	1,433,779
Pupil Transportation	494,183	532,277
Operational of Non-Instructional Services	518,407	487,878
Extracurricular Activities	734,960	740,233
Capital Outlay	152,900	103,303
Interest and Fiscal Charges	581,172	660,380
Total Expenses	<u>14,409,928</u>	<u>14,494,506</u>
Change in Net Assets	756,815	572,899
Beginning Net Assets	13,229,889	12,656,990
Ending Net Assets	<u>\$13,986,704</u>	<u>\$13,229,889</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2010  
Unaudited  
(Continued)**

Program revenues increased by \$473,193 (28 percent) primarily due to the increase in federal stimulus money received by the District.

General revenues decreased by \$373,855 (less than 3 percent).

Total expenses decreased by \$84,578 (less than 1 percent).

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>
	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
Instruction	\$8,110,523	\$7,299,000	\$7,948,726	\$7,346,647
Support Services:				
Pupils	914,944	558,943	875,294	641,996
Instructional Staff	530,624	411,070	522,214	497,522
Board of Education	87,537	87,537	39,897	39,897
Administration	751,383	737,701	765,292	751,292
Fiscal	378,740	378,740	385,233	385,233
Operation and Maintenance of Plant	1,154,555	1,103,486	1,433,779	1,426,611
Pupil Transportation	494,183	456,268	532,277	499,925
Non-Instructional	518,407	(13,200)	487,878	(36,476)
Extracurricular Activities	734,960	505,695	740,233	500,753
Capital Outlay	152,900	152,900	103,303	103,303
Interest and Fiscal Charges	581,172	581,172	660,380	660,380
Total Expenses	<u>\$14,409,928</u>	<u>\$12,259,312</u>	<u>\$14,494,506</u>	<u>\$12,817,083</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 89 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 85 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

**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 1 percent from 2009 primarily as a result of decreases in property and other local taxes as a result of Tangible Personal Property Tax loss. General Fund expenditures decreased by 4 percent from 2009, which can be attributed to changes in personnel and related fringe benefits and expenditures related to maintenance of property. Bond Retirement Fund revenues decreased by 17 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, 2010  
Unaudited  
(Continued)**

The net increase in the General Fund balance for fiscal year 2009 was \$171,004, compared to a net increase of \$566,594 for fiscal year 2010. This was primarily a result of a decrease in spending by the District. The net increase in the Bond Retirement Fund balance for fiscal year 2009 was \$74,300 compared to net decrease of \$219,045 for fiscal year 2010. This was a result of expenditures exceeding revenue collections.

**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 2010, the District amended its General Fund budget as needed.

Final budgeted revenues and other financing sources were \$12,321,116, the same as the original budget estimates. Actual revenues and other financing sources were less than 5 percent below final budgeted amounts.

Final expenditures and other financing uses were budgeted at \$12,406,607, the same as the original budget estimates. Actual expenditures and other financing uses were \$945,855 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 2010, the District had \$17,027,411 invested in capital assets (net of accumulated depreciation) for governmental activities, decrease of 3.7 percent from the beginning of the year amount of \$17,689,877. The decrease 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, 2010, the District's long-term obligations, which include general obligation bonds payable and compensated absences, were \$12,234,694, down 8 percent from the end of fiscal year 2009 primarily due to the amortization of the bond refinancing and additional debt service payments made in 2010.

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, 2010, the District's overall legal debt margin was \$8,602,044, with an un-voted debt margin of \$221,358.

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, 2010  
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. The economy continues to have an effect on the manufacturing business. Agriculture plays an important part of the economy as well.

The Evidence Based Model represents the state funding and is based on organization units rather than the number of students residing within the School District boundaries attending public and community schools as has been the past. The district revenue from the state has decreased and projections indicate there will continue to be decreases in state funding due to the state revenue collection gap. 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 Rating on the 2009-2010 Local Report Card from the State. This rating is the 10<sup>th</sup> 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 future financial state of the district depends greatly upon the renewal of this levy at a minimum. Due to the passage of HB66, the District experienced 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 Street, Archbold, Ohio 43502-1656.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Statement of Net Assets  
June 30, 2010**

		<u>Governmental Activities</u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	8,626,367
Materials and Supplies Inventory		16,978
Accrued Interest Receivable		269
Accounts Receivable		68,773
Intergovernmental Receivable		231,870
Taxes Receivable		6,040,429
Revenue in Lieu of Taxes Receivable		812,983
Unamortized Bond Costs		557,649
Non-Depreciable Capital Assets		583,053
Depreciable Capital Assets, net		16,444,358
<b>Total Assets</b>		<u><u>33,382,729</u></u>
 <b>LIABILITIES:</b>		
Accounts Payable		40,573
Accrued Wages and Benefits		1,070,555
Intergovernmental Payable		293,095
Matured Compensated Absences Payable		20,754
Deferred Revenue		5,736,354
Long-Term Liabilities:		
Due Within One Year		1,270,811
Due in More Than One Year		10,963,883
<b>Total Liabilities</b>		<u><u>19,396,025</u></u>
 <b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt		7,359,459
Restricted for Debt Service		3,395,852
Restricted for Capital Outlay		348,235
Restricted for Other Purposes		384,636
Unrestricted		2,498,522
<b>Total Net Assets</b>	<b>\$</b>	<u><u>13,986,704</u></u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Statement of Activities  
June 30, 2010**

	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	\$ 6,836,904	\$ 348,333	\$ 216,366	\$ (6,272,205)
Special	1,043,504		235,319	(808,185)
Vocational	208,175		11,505	(196,670)
Student Intervention Services	10,453			(10,453)
Other	11,487			(11,487)
Support Services:				
Pupils	914,944		356,001	(558,943)
Instructional Staff	530,624		119,554	(411,070)
Board of Education	87,537			(87,537)
Administration	751,383		13,682	(737,701)
Fiscal	378,740			(378,740)
Operation and Maintenance of Plant	1,154,555	3,913	47,156	(1,103,486)
Pupil Transportation	494,183		37,915	(456,268)
Operation of Non-Instructional Services	518,407	273,120	258,487	13,200
Extracurricular Activities	734,960	229,265		(505,695)
Capital Outlay	152,900			(152,900)
Debt Service:				
Interest and Fiscal Charges	581,172			(581,172)
<b>Totals</b>	<b>\$ 14,409,928</b>	<b>\$ 854,631</b>	<b>\$ 1,295,985</b>	<b>(12,259,312)</b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				5,178,966
Property Taxes, Levied for Capital Outlay				368,844
Property Taxes, Levied for Debt Service				885,869
Grants and Entitlements not Restricted to Specific Programs				6,395,620
Gifts and Donations				10,067
Investment Earnings				72,603
Miscellaneous				104,058
Proceeds from Sale of Capital Assets				100
Total General Revenues				13,016,127
Change in Net Assets				756,815
Net Assets Beginning of Year				13,229,889
Net Assets End of Year				\$ 13,986,704

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2010**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 4,733,700	\$ 3,313,151	\$ 579,516	\$ 8,626,367
Materials and Supplies Inventory			16,978	16,978
Accrued Interest Receivable	269			269
Accounts Receivable	68,773			68,773
Interfund Receivable	1,465			1,465
Intergovernmental Receivable	3,196		228,674	231,870
Taxes Receivable	5,279,491	423,395	337,543	6,040,429
Revenue in Lieu of Taxes Receivable	812,983			812,983
<b>Total Assets</b>	<b>\$ 10,899,877</b>	<b>\$ 3,736,546</b>	<b>\$ 1,162,711</b>	<b>\$ 15,799,134</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	25,757		14,816	40,573
Accrued Wages and Benefits	996,371		74,184	1,070,555
Interfund Payable			1,465	1,465
Intergovernmental Payable	266,857		26,238	293,095
Matured Compensated Absences Payable	20,754			20,754
Deferred Revenue	5,709,829	351,087	495,867	6,556,783
<b>Total Liabilities</b>	<b>7,019,568</b>	<b>351,087</b>	<b>612,570</b>	<b>7,983,225</b>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	73,414		10,480	83,894
Reserved for Inventory			16,978	16,978
Reserved for Property Taxes	286,173	48,094	29,571	363,838
Unreserved, Undesignated, Reported in:				
General Fund	3,520,722			3,520,722
Special Revenue Funds			184,907	184,907
Debt Service Funds		3,337,365		3,337,365
Capital Projects Funds			308,205	308,205
<b>Total Fund Balances</b>	<b>3,880,309</b>	<b>3,385,459</b>	<b>550,141</b>	<b>7,815,909</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,899,877</b>	<b>\$ 3,736,546</b>	<b>\$ 1,162,711</b>	<b>\$ 15,799,134</b>

See Accompanying Notes to the Basic Financial Statements



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2010**

Total Governmental Fund Balances	\$	7,815,909
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		17,027,411
Taxes Receivable and Payments in Lieu of Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		820,429
Unamortized Bond Costs		557,649
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(11,320,201)	
Compensated Absences Payable	(914,493)	
	<u>                    </u>	(12,234,694)
Net Assets of Governmental Activities	\$	<u><u>13,986,704</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, 2010**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 5,265,042	\$ 908,926	\$ 368,844	\$ 6,542,812
Intergovernmental	5,895,593	536,337	1,084,854	7,516,784
Interest	72,603			72,603
Tuition and Fees	336,484		11,849	348,333
Rent	3,913			3,913
Extracurricular Activities			229,265	229,265
Gifts and Donations	9,605		462	10,067
Customer Sales and Services			273,120	273,120
Payments in Lieu of Taxes	257,388			257,388
Miscellaneous	79,509		24,549	104,058
Total Revenues	<u>11,920,137</u>	<u>1,445,263</u>	<u>1,992,943</u>	<u>15,358,343</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	6,266,661		229,489	6,496,150
Special	834,405		168,703	1,003,108
Vocational	179,269		796	180,065
Student Intervention Services	10,453			10,453
Other	9,772		1,715	11,487
Support Services:				
Pupils	656,632		257,298	913,930
Instructional Staff	406,515		119,553	526,068
Board of Education	87,537			87,537
Administration	747,011	1,539	13,871	762,421
Fiscal	339,172	22,583	9,719	371,474
Operation and Maintenance of Plant	1,002,917		68,927	1,071,844
Pupil Transportation	448,804		1,634	450,438
Operation of Non-Instructional Services			511,826	511,826
Extracurricular Activities	353,351		261,809	615,160
Capital Outlay	11,144		141,756	152,900
Debt Service:				
Principal		1,215,000		1,215,000
Interest		425,186		425,186
Total Expenditures	<u>11,353,643</u>	<u>1,664,308</u>	<u>1,787,096</u>	<u>14,805,047</u>
Excess of Revenues Over (Under) Expenditures	<u>566,494</u>	<u>(219,045)</u>	<u>205,847</u>	<u>553,296</u>
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from Sale of Capital Assets	100			100
Net Change in Fund Balances	566,594	(219,045)	205,847	553,396
Fund Balance at Beginning of Year	3,313,715	3,604,504	344,294	7,262,513
Fund Balance at End of Year	<u>\$ 3,880,309</u>	<u>\$ 3,385,459</u>	<u>\$ 550,141</u>	<u>\$ 7,815,909</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, 2010**

Net Change in Fund Balances - Total Governmental Funds \$ 553,396

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	130,365	
Depreciation	<u>(790,088)</u>	
		(659,723)

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		(2,743)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Payments in Lieu of Taxes	(257,388)	
Intergovernmental	174,821	
Delinquent Property Taxes	<u>(109,133)</u>	
		(191,700)

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

1,215,000

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		(155,986)
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Some expenses reported on the statement of activities, such as compensated absences that do not require use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable	<u>(1,429)</u>	
		<u>(1,429)</u>

Change in Net Assets of Governmental Activities		\$ <u><u>756,815</u></u>
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See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 5,489,769	\$ 5,489,769	\$ 5,172,532	\$ (317,237)
Intergovernmental	5,999,745	5,999,745	5,892,397	(107,348)
Interest	160,000	160,000	72,339	(87,661)
Tuition and Fees	302,300	302,300	336,773	34,473
Rent	6,000	6,000	3,913	(2,087)
Gifts and Donations	3,000	3,000	9,605	6,605
Payments in Lieu of Taxes	257,388	257,388	257,388	
Miscellaneous	90,049	90,049	7,745	(82,304)
Total Revenues	<u>12,308,251</u>	<u>12,308,251</u>	<u>11,752,692</u>	<u>(555,559)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	6,455,807	6,468,927	6,270,858	198,069
Special	1,000,282	1,001,142	815,266	185,876
Vocational	190,080	190,080	177,983	12,097
Student Intervention Services	6,590	6,590	10,453	(3,863)
Other	25,395	25,395	9,132	16,263
Support Services:				
Pupils	675,980	677,428	654,365	23,063
Instructional Staff	517,043	479,743	404,437	75,306
Board of Education	67,859	93,061	107,578	(14,517)
Administration	832,816	835,286	761,100	74,186
Fiscal	375,356	375,206	337,058	38,148
Operation and Maintenance of Plant	1,250,850	1,250,850	1,045,669	205,181
Pupil Transportation	572,792	572,792	460,568	112,224
Extracurricular Activities	383,844	382,374	352,602	29,772
Capital Outlay	15,350	11,170	43,683	(32,513)
Total Expenditures	<u>12,370,044</u>	<u>12,370,044</u>	<u>11,450,752</u>	<u>919,292</u>
Excess of Revenues Over (Under) Expenditures	<u>(61,793)</u>	<u>(61,793)</u>	<u>301,940</u>	<u>363,733</u>
<b>Other Financing Sources and Uses:</b>				
Advances In	7,865	7,865	16,400	8,535
Proceeds from Sale of Capital Assets			100	100
Refund of Prior Year Expenditures	5,000	5,000	8,049	3,049
Transfers Out	(16,875)	(16,875)		16,875
Advances Out	(19,688)	(19,688)	(10,000)	9,688
Total Other Financing Sources and Uses	<u>(23,698)</u>	<u>(23,698)</u>	<u>14,549</u>	<u>38,247</u>
Net Change in Fund Balances	(85,491)	(85,491)	316,489	401,980
Fund Balance at Beginning of Year	4,253,767	4,253,767	4,253,767	
Prior Year Encumbrances Appropriated	64,646	64,646	64,646	
Fund Balance at End of Year	<u>\$ 4,232,922</u>	<u>\$ 4,232,922</u>	<u>\$ 4,634,902</u>	<u>\$ 401,980</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, 2010**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 2,060	\$ 68,893
Investments	<u>52,976</u>	<u>68,893</u>
Total Assets	<u><u>55,036</u></u>	<u><u>68,893</u></u>
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies	<u>                    </u>	\$ <u>68,893</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>55,306</u>	<u>                    </u>
Total Net Assets	<u><u>\$ 55,306</u></u>	<u><u>                    </u></u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2010**

	<u>Private Purpose Trust</u>
<b>ADDITIONS:</b>	
Interest	\$ 1,033
<b>DEDUCTIONS:</b>	
Payments in Accordance with Trust Agreements	<u>675</u>
Change in Net Assets	358
Net Assets Beginning of Year	<u>54,678</u>
Net Assets End of Year	<u><u>\$ 55,036</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, 2010**

**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 49 classified employees and 96 certified teaching personnel, who provide services to 1,361 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, and the Northern Buckeye Education Council Workers' Compensation Group Rating 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, 2010  
(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, 2010  
(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.

**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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

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

**D. Basis of Accounting**

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

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

Expenditures/Expenses

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

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

**E. Budgetary Process**

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

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

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

**F. Cash and Investments**

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

During fiscal year 2010, 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 2010, was \$72,603 for the General Fund, which includes \$34,849 assigned from other funds, and \$1,033 for the Winzeler Trust Fund.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

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

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

**G. Inventory**

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

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

**H. 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.

**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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

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

**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.

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

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

**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.

**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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

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

**Q. Pass-Through Grants**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

**3. ACCOUNTABILITY**

At June 30, 2010, the Uniform School Supplies, Misc State Grants and Title I, special revenue funds, had a deficit fund balance of \$1,382, \$1,715 and \$3,533, 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).

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

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

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

<b>Net Change in Fund Balance Major Governmental Fund</b>	
GAAP Basis	\$566,594
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2009, Received In Cash FY 2010	295,487
Accrued FY 2010, Not Yet Received in Cash	(462,932)
Expenditure Accruals:	
Accrued FY 2009, Paid in Cash FY 2010	(1,308,050)
Accrued FY 2010, Not Yet Paid in Cash	1,317,788
Advances Net	6,400
Encumbrances Outstanding at Year End (Budget Basis)	(98,798)
Budget Basis	\$316,489

**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;



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

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

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

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

Investments may only be made through specified dealers and institutions.

At year end, the District had \$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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**6. PROPERTY TAXES**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years through 2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011 – 2017, the reimbursements will be phased out.

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 2010 represent the collection of calendar year 2009 taxes. Real property taxes for 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 were levied after April 1, 2009, on the assessed values as of December 31, 2008, 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 2010 (other than public utility property) represent the collection of calendar year 2010 taxes. Tangible personal property taxes for 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Fulton and Henry Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2010, are available to finance fiscal year 2010 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, 2010 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 2010 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The amount available as an advance at June 30, 2010, was \$286,173 in the General Fund, \$48,094 in the Debt Service Fund, and \$29,571 in the Capital Projects Fund. The amount available as an advance at June 30, 2009, was \$227,775 in the General Fund and \$45,506 in the Debt Service Fund, and \$22,923 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$126,134,149	58%	\$126,449,040	57%
Industrial/Commercial	84,176,140	39%	86,904,700	39%
Public Utility	7,697,730	3%	8,004,540	4%
Total Assessed Value	\$218,008,019	100%	\$221,358,280	100%
Tax rate per \$1,000 of assessed valuation	\$50.36		\$50.36	

**7. RECEIVABLES**

Receivables at June 30, 2010, 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	\$30
Miscellaneous	68,743
Total Accounts Receivable	\$68,773
Intergovernmental Receivable:	
General Fund	\$3,196
All Other Governmental Funds	
Federal Grant Monies	
Title IDEA-B	93,073
SFSF	16,876
Title I Fund	87,184
ESC Handicapped Preschool	7,071
Title II-A Fund	24,470
Total Intergovernmental Receivable	\$231,870

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</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	22,330,335	\$8,513	\$8,513	22,330,335
Furniture, Fixtures, and Equipment	1,412,915	100,082	7,320	1,505,677
Vehicles	1,077,957	21,770		1,099,727
Total Depreciable Capital Assets	<u>26,864,090</u>	<u>130,365</u>	<u>15,833</u>	<u>26,978,622</u>
Less Accumulated Depreciation				
Land Improvements	426,236	116,502		542,738
Buildings and Building Improvements	7,859,152	529,974	5,770	8,383,356
Furniture, Fixtures, and Equipment	717,825	66,536	7,320	777,041
Vehicles	754,053	77,076		831,129
Total Accumulated Depreciation	<u>9,757,266</u>	<u>790,088</u>	<u>13,090</u>	<u>10,534,264</u>
Depreciable Capital Assets, Net	<u>17,106,824</u>	<u>(659,723)</u>	<u>2,743</u>	<u>16,444,358</u>
Governmental Activities Capital Assets, Net	<u>\$17,689,877</u>	<u>(\$659,723)</u>	<u>\$2,743</u>	<u>\$17,027,411</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$448,011
Special	36,605
Vocational	26,992
Support Services:	
Instructional Staff	259
Operation and Maintenance of Plant	80,875
Pupil Transportation	69,382
Operation of Non-Instructional Services	4,146
Extracurricular	123,818
Total Depreciation Expense	<u>\$790,088</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(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 is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2010, the District contracted with Ohio Casualty Company for property, fleet, violence and liability insurance in the amounts as follows:

Bodily Injury and Property Damage	\$ 1,000,000
Personal Injury/Advertising Liability	1,000,000
Products/Completed Operations Aggregate Limit	2,000,000
General Annual Aggregate	2,000,000
Medical Payments Any One Person	15,000
Errors or Omissions	1,000,000
Errors or Omissions Aggregate	1,000,000
Errors or Omissions Aggregate Defense Expense Amount	100,000
Sexual Misconduct and Molestation Each Loss	1,000,000
Sexual Misconduct and Molestation Aggregate	1,000,000
Innocent Party Aggregate	300,000
Owned/Leased Vehicles	1,000,000
Medical Payments	5,000
Uninsured Motorist	1,000,000
Automobile Physical Damage	Cash Value or Repair Cost
Property Per Occurrence Limit	51,875,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage since fiscal year 2003.

**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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

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.

**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](http://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 2010, 12.78 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, 2010, 2009, and 2008 were \$192,928, \$142,305, and \$150,507 respectively; 45 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**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](http://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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

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

investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2009 (the latest information available), 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, 2010, 2009, and 2008 were \$896,954, \$859,146, and \$1,091,996, respectively; 86 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

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](http://www.strsoh.org) or by calling (888) 227-7877.

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 2010, 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, 2010, 2009, and 2008 were \$68,996, \$66,088, and \$84,000 respectively; 86 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 2009 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 2010, the actuarially required allocation was 0.76 percent. The District's contributions for the year ended June 30, 2010 were \$11,473, 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 percent contribution to the Health Care Fund. At June 30, 2010, the health care allocation was 0.46 percent. The District's contributions for the years ended June 30, 2010, 2009, and 2008 were \$26,514, \$95,045, and \$97,739, respectively.



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, 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](http://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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**14. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2010 the following changes occurred in obligations reported in the government-wide financial statements:

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/10</u>	<u>Due Within One Year</u>
Series 2001:					
Current interest bonds	\$2,680,000			\$2,680,000	
Capital appreciation bonds	225,667	\$16,333	\$125,000	117,000	\$117,000
Total Series 2001	<u>2,905,667</u>	<u>16,333</u>	<u>125,000</u>	<u>2,797,000</u>	
Series 2002:					
Current interest bonds	1,865,000		600,000	1,265,000	625,000
Total Series 2002	<u>1,865,000</u>		<u>600,000</u>	<u>1,265,000</u>	
Series 2004					
Current interest bonds	5,855,000			5,855,000	
Capital appreciation bonds	1,195,899	139,653	490,000	845,552	443,456
Unamortized Bond Premium	607,004		49,355	557,649	49,355
Total Series 2004	<u>7,657,903</u>	<u>139,653</u>	<u>539,355</u>	<u>7,258,201</u>	
Total General obligation bonds	12,428,570	155,986	1,264,355	11,320,201	
Compensated absences payable	913,064	1,429		914,493	36,000
Total	<u>\$13,341,634</u>	<u>\$157,415</u>	<u>\$1,264,355</u>	<u>\$12,234,694</u>	<u>\$1,270,811</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, 2010  
(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, 2010  
(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>
2010	\$45,000	\$125,000

The value of the capital appreciation bonds reported at June 30, 2010 was \$117,000. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$72,000 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, 2010  
(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>
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.

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

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

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>
2010	164,189	490,000
2011	137,984	490,000

The value of the capital appreciation bonds reported at June 30, 2010 was \$845,552. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$543,279 has been included in the value. The bonds are being retired through the Bond Retirement Fund.

The scheduled payments of principal and interest on debt outstanding at June 30, 2010 are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$1,234,811	\$506,199	\$1,741,010
2012	1,216,351	510,941	1,727,292
2013	679,355	351,753	1,031,108
2014	699,355	327,465	1,026,820
2015	719,355	301,500	1,020,855
2016 – 2020	4,046,775	1,056,374	5,103,149
2021 – 2025	2,479,099	264,327	2,743,426
2026	245,000	6,278	251,278
Total	<u>\$11,320,101</u>	<u>\$3,324,837</u>	<u>\$14,644,938</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 \$33,684. Financial information can be obtained from 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, 2010  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**C. Four County Career Center**

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

**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, Jennifer Harkey, Clerk/Treasurer, at 205 Stryker Street, Archbold, Ohio 43502.

**18. GROUP PURCHASING POOLS**

**A. NBEC Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$1,080,527. Financial information can be obtained from 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, 2010  
(Continued)**

**18. GROUP PURCHASING POOLS (Continued)**

**B. NBEC Workers' Compensation Group Rating Plan**

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$1,235 to the WCGRP to cover the costs of administering the program.

**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.

	<b>Textbooks</b>	<b>Capital Acquisition</b>	<b>Totals</b>
Set Aside Reserve Balance, June 30, 2010			
Current Year Set-aside Requirement	\$216,008	\$216,008	\$432,016
Current Year Qualifying Expenditures	(315,407)	(400,277)	(715,684)
Excess Qualified Expenditures for Prior Years	(715,218)		(715,218)
Total	(\$814,617)	(\$184,269)	(\$998,886)
Balance Carried Forward to Fiscal Year 2011	(\$814,617)		(\$814,617)

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**

Interfund balances consisted of the following at June 30, 2010, as reported on the fund statements:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General	Uniform School Supplies	\$1,465

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, 2010 are reported on the statement of net assets.



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**21. CONTINGENCIES**

**A. Grants**

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

Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

**B. Litigation**

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

**22. SUBSEQUENT EVENTS**

The District has plans to begin a 750 kWh wind turbine project at the District's High School building. The estimates for this project are \$1.9 million, of which, \$1.3 million is coming from state and/or federal grants. The Board approved the Superintendent and Treasurer to begin the formal bidding process and proceed with bridge financing with Qualified Construction Bonds at their November 29, 2010 Special Board Meeting.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$14,834	\$14,834
National School Lunch Program	10.555		
Cash Assistance		157,041	157,041
Non- Cash Assistance (Food Distribution)		<u>82,710</u>	<u>82,710</u>
Total National School Lunch Program		<u>239,751</u>	<u>239,751</u>
Total U.S. Department of Agriculture		<u><b>254,585</b></u>	<u><b>254,585</b></u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Title I, Part A Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	119,462	119,462
ARRA - Title I Grants to Local Educational Agencies	84.389	<u>6,955</u>	<u>6,905</u>
Total Title I, Part A Cluster		126,417	126,367
Safe and Drug-Free Schools and Communities State Grants	84.186	4,452	4,568
Education Technology State Grants	84.318	1,109	1,109
ARRA - Special Education Grants to States	84.391	166,271	166,271
Improving Teacher Quality State Grants	84.367	28,295	28,122
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	<u>188,088</u>	<u>171,211</u>
Total U.S. Department of Education		<u><b>514,632</b></u>	<u><b>497,648</b></u>
<b>Total Federal Awards Receipts and Expenditures</b>		<u><b>\$769,217</b></u>	<u><b>\$752,233</b></u>

The accompanying notes are an integral part of this Schedule.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the District's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

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# Dave Yost • 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 Archbold Area Local School District, Fulton County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 8, 2011. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 8, 2011.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

February 8, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Archbold Area Local School District, Fulton County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Archbold Area Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 8, 2011.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

February 8, 2011



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF FINDINGS OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster – CFDA #10.553 and #10.555 State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act – CFDA #84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

ARCHBOLD AREA LOCAL SCHOOL DISTRICT

FULTON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 1, 2011