MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Margaretta Local School District
Erie County
305 South Washington Street
Castalia, Ohio 44824-9263

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Margaretta Local School District, Erie County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Margaretta Local School District, Erie County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipt and expenditure schedule is required by 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. We subjected the federal awards receipt and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor, CPA
Auditor of State

March 27, 2009

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

The management's discussion and analysis of the Margaretta Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased $570,317 which represents a 12.79% decrease from 2007.

- General revenues accounted for $11,947,439 in revenue or 84.96% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $2,115,384 or 15.04% of total revenues of $14,062,823.

- The District had $14,633,140 in expenses related to governmental activities; only $2,115,384 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $11,947,439 were not adequate to provide for these programs.

- The District's major governmental funds are the general fund and the building fund. The general fund had $12,230,243 in revenues and $13,287,889 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance decreased $1,057,646 from $1,492,608 to $434,962.

- The building fund had $2,717,000 in other financing sources and $536,954 in expenditures. During fiscal year 2008, the building fund's fund balance increased $2,180,046 from a zero balance.

Using the Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *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 the next 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 nonmajor funds presented in total in one column. In the case of the District, the general fund and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change 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 governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the building fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2008 and 2007.

	Governmental Activities 2008	Governmental Activities 2007
Assets		
Current and other assets	$ 10,958,020	$ 10,600,668
Capital assets, net	3,233,191	2,555,636
Total assets	14,191,211	13,156,304
Liabilities		
Current liabilities	6,431,893	7,849,915
Long-term liabilities	3,869,265	846,019
Total liabilities	10,301,158	8,695,934
Net Assets		
Invested in capital assets, net or related debt	2,643,454	2,555,636
Restricted	364,075	206,567
Unrestricted	882,524	1,698,167
Total net assets	$ 3,890,053	$ 4,460,370

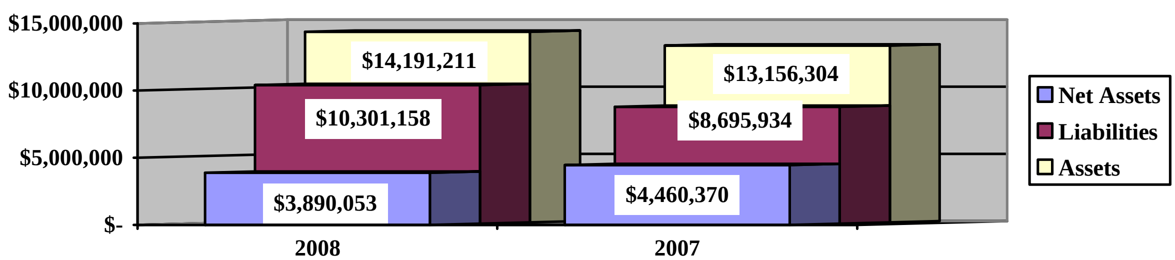
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by $3,890,053.

At year-end, capital assets represented 22.78% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were $2,643,454. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, $364,075, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of $882,524 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2008 and 2007:

Governmental Activities



The table below shows the change in net assets for fiscal years 2008 and 2007.

Change in Net Assets

Revenues	Governmental Activities 2008	Governmental Activities 2007
Program revenues:		
Charges for services and sales	$ 1,081,829	$ 1,114,314
Operating grants and contributions	1,026,959	991,156
Capital grants and contributions	6,596	24,807
General revenues:		
Property taxes	6,089,665	5,938,056
Grants and entitlements	5,597,340	5,277,596
Investment earnings	179,212	162,806
Payment in lieu of taxes		300,000
Other	81,222	34,408
Total revenues	$ 14,062,823	$ 13,843,143

Change in Net Assets

Expenses	Governmental Activities 2008	Governmental Activities 2007
Program expenses:		
Instruction:		
Regular	$ 5,556,988	$ 5,396,913
Special	1,444,173	1,477,448
Vocational	435,720	366,325
Other	5,659	
Support services:		
Pupil	666,110	630,032
Instructional staff	714,549	771,476
Board of education	226,400	184,061
Administration	1,122,406	1,066,423
Fiscal	430,896	407,242
Operations and maintenance	1,510,177	1,320,997
Pupil transportation	1,079,529	970,360
Central	68,612	16,192
Operations of non-instructional services:		
Non-instructional services	173,563	193,892
Food service operations	618,349	607,415
Extracurricular activities	542,291	513,668
Interest and fiscal charges	37,718	
Total expenses	14,633,140	13,922,444
Change in net assets	(570,317)	(79,301)
Net assets at beginning of year	4,460,370	4,539,671
Net assets at end of year	$ 3,890,053	$ 4,460,370

Governmental Activities

Net assets of the District's governmental activities decreased $570,317 as a result of increased liabilities and cash payments for a 2008 retirement incentive program as well as increases in salary and health insurance expenses. Total governmental expenses of $14,633,140 were offset by program revenues of $2,115,384 and general revenues of $11,947,439. Program revenues supported 14.46% of the total governmental expenses.

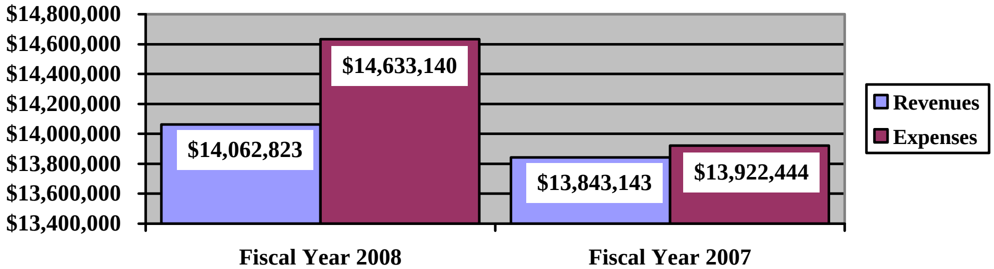
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 83.11% of total governmental revenue. Real estate property is reappraised every six years.

MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

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

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

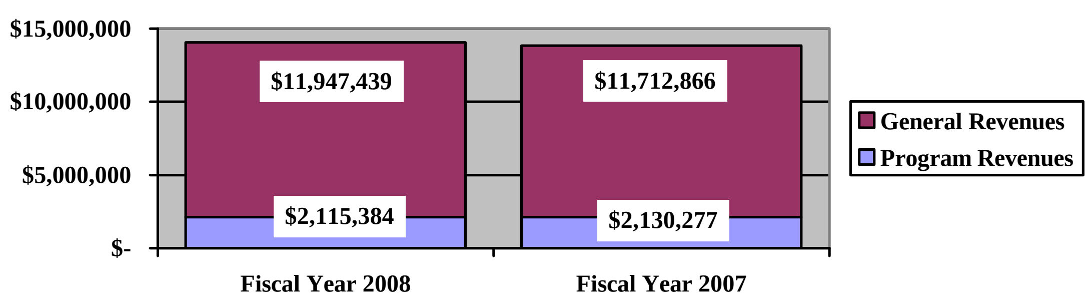
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	$ 5,556,988	$ 5,165,375	$ 5,396,913	$ 5,047,980
Special	1,444,173	950,033	1,477,448	925,308
Vocational	435,720	394,730	366,325	329,530
Other	5,659	5,659		
Support services:				
Pupil	666,110	499,981	630,032	534,064
Instructional staff	714,549	678,951	771,476	735,283
Board of education	226,400	226,400	184,061	184,061
Administration	1,122,406	1,117,945	1,066,423	1,066,423
Fiscal	430,896	430,896	407,242	407,242
Operations and maintenance	1,510,177	1,508,904	1,320,997	1,317,305
Pupil transportation	1,079,529	1,031,107	970,360	914,215
Central	68,612	68,612	16,192	16,192
Operations of non-instructional services				
Non-instructional services	173,563	173,563	193,892	193,892
Food service operations	618,349	51,477	607,415	44,281
Extracurricular activities	542,291	176,405	513,668	76,391
Interest and fiscal charges	37,718	37,718		
Total expenses	$ 14,633,140	$ 12,517,756	$ 13,922,444	$ 11,792,167

The dependence upon tax and other general revenues for governmental activities is apparent, 87.55% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.54%. The District's taxpayers and grants and entitlements not restricted to specific programs, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of $2,809,752, which is higher than last year's total of $1,607,362. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase/ (Decrease)
General	$ 434,962	$ 1,492,608	$ (1,057,646)
Building	2,180,046		2,180,046
Other Governmental	194,744	114,754	79,990
Total	$ 2,809,752	$ 1,607,362	$ 1,202,390

An analysis of the general fund revenues and expenditures is provided in the section below.

General Fund

The District's general fund balance decreased $1,057,646.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2008 Amount	2007 Amount	Increase\ Decrease	Percentage Change
Revenues				
Taxes	$ 5,759,297	$ 5,004,174	$ 755,123	15.09 %
Tuition	269,425	218,241	51,184	23.45 %
Earnings on investments	175,207	167,995	7,212	4.29 %
Classroom materials and fees	59,182	58,230	952	1.63 %
Intergovernmental	5,862,317	5,511,097	351,220	6.37 %
Other revenues	104,815	361,230	(256,415)	(70.98) %
Total	$ 12,230,243	$ 11,320,967	$ 909,276	8.03 %
Expenditures				
Instruction	$ 7,073,599	$ 6,539,514	$ 534,085	8.17 %
Support services	5,549,131	5,142,271	406,860	7.91 %
Operation of non-instructional services	25,213	19,884	5,329	26.80 %
Extracurricular activities	259,936	254,085	5,851	2.30 %
Facilities acquisition and construction	5,700		5,700	100.00 %
Debt service	37,718		37,718	100.00 %
Total	$ 12,951,297	$ 11,955,754	$ 995,543	8.33 %

Revenues of the general fund increased $909,276 or 8.03%. Tax revenue increased $755,123 or 15.09%. This increase can be attributed to an increase in tangible personal property taxes and no longer reclassifying Visteon receipts as other revenues. Tuition increased $51,184 or 23.45%. This increase is due to an increase in State tuition receipts. The increase of $351,220 in the area of intergovernmental revenue is due mainly to an increase in State foundation receipts during fiscal year 2008. Other revenues decreased due to Visteon receipts no longer being classified as other revenues during fiscal year 2008.

Expenditures of the general fund increased $995,543 or 8.33%. The fund balance decreased as the result of the debt service payment, new bus purchase, salary and health insurance cost increases and transfers out to various grant funds. The most significant increases were in the areas of instruction and support services. Instruction and support services increased $534,085 and 406,860, respectively. These increases can be attributed to the scheduled contract increases of District employees. Debt service increased due to the interest payments on the new lease-purchase agreement.

Building Fund

The building fund had $2,717,000 in other financing sources and $536,954 in expenditures. During fiscal year 2008, the building fund's fund balance increased $2,180,046 from a zero balance due to the issuance of debt.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2008, the District amended its general fund budgeted revenues several times. For the general fund, original budgeted revenues were $12,355,417. Final budgeted revenues were increased to $12,455,417. Actual revenues and other financing sources for fiscal year 2008 were $12,237,460. This represents a $217,957 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of $12,513,778 were increased to $13,413,899 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled $13,117,331, which was $296,568 less than the final budget appropriations.

Capital Assets

At the end of fiscal year 2008, the District had $3,233,191 invested in land, construction in progress, land improvements, building and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to the amount of capital assets in 2007:

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities 2008	Governmental Activities 2007
Land	$ 103,182	$ 103,182
Land improvements	239,706	261,496
Building and improvements	1,728,478	1,599,195
Furniture and equipment	147,025	155,191
Vehicles	477,846	436,572
Construction in progress	536,954	
Total	$ 3,233,191	$ 2,555,636

The overall increase in capital assets of $677,555 is primarily due to total capital outlays of $925,417 exceeding depreciation expense of $229,942 and disposals of $17,920 (net of accumulated depreciation) for fiscal year 2008.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2008, the District had $2,667,000 in capital lease obligations. The entire amount is due in greater than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2008	Governmental Activities 2007
Lease-purchase agreement	$ 2,667,000	
Total	$ 2,667,000	

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

State funding is projected to be stagnant at least for two more years due to the fact that the District receives guaranteed State aide pursuant to the recently passed biennial budget by the Ohio General Assembly in which the funding formula remaining in tact over the two year cycle. The District's declining enrollment has resulted in a per pupil funding increase while remaining at virtually the same amount of State aide as fiscal year 2004. The only increasing revenue source to the District comes from changes in local tax revenue. Erie County completed a Sexennial Reappraisal in calendar year 2006, while Sandusky County completed a Triennial Update at the same time which impacted the District positively from the 5.70 mills not affected by the reduction of rates resulting from the provision of Ohio House Bill 920.

The State legislature continues to impact our business tax base by phasing out the tangible personal property tax over the next 2 years. The District continues to look at ways to reduce the operational expense while maintaining educational success. The District took action to consolidate facilities for the purpose of become more efficient. The District borrowed $2,600,000 from the Ohio Association of School Business Officials (OASBO) Risk Sharing Pool Lease Purchase instrument to make the necessary capital improvements to facilitate the consolidation. The anticipated operational savings from the consolidation is in excess of $500,000 annually. The net savings, after debt service, is anticipated to be in excess of $300,000 and growing on an annual basis.

The District placed a 1% "Earned Income" tax levy before the voters in November of 2008, which was soundly defeated.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Jude Hammond, Treasurer, Margaretta Local School District, 305 S. Washington Street, Castalia, Ohio 44824.

MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2008

		Governmental Activities
Assets:		
Equity in pooled cash and cash equivalents. . .	$	2,317,836
Cash with escrow agent.		2,333,633
Receivables:		
Taxes		6,002,570
Intergovernmental		279,597
Accrued interest		18,557
Materials and supplies inventory		5,827
Capital assets:		
Land		103,182
Construction in progress		536,954
Depreciable capital assets, net		2,593,055
Total capital assets, net.		3,233,191
Total assets		14,191,211
Liabilities:		
Accounts payable.		114,561
Contracts payable.		219,071
Accrued wages and benefits		1,313,781
Pension obligation payable.		330,151
Intergovernmental payable		118,281
Unearned revenue		4,336,048
Long-term liabilities:		
Due within one year.		522,877
Due in more than one year		3,346,388
Total liabilities		10,301,158
Net Assets:		
Invested in capital assets, net of related debt.		2,643,454
Restricted for:		
Capital projects		255,931
Locally funded programs		10,375
State funded programs.		8,617
Federally funded programs		27,926
Student activities.		61,226
Unrestricted.		882,524
Total net assets	$	3,890,053

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	$ 5,556,988	$ 329,057	$ 62,556		$ (5,165,375)
Special	1,444,173		494,140		(950,033)
Vocational	435,720		40,990		(394,730)
Other	5,659				(5,659)
Support services:					
Pupil.	666,110		166,129		(499,981)
Instructional staff	714,549		35,598		(678,951)
Board of education	226,400				(226,400)
Administration.	1,122,406		4,461		(1,117,945)
Fiscal	430,896				(430,896)
Business.					
Operations and maintenance.	1,510,177	1,273			(1,508,904)
Pupil transportation	1,079,529		41,826	$6,596	(1,031,107)
Central.	68,612				(68,612)
Operation of non-instructional:					
Non-instructional services.	173,563				(173,563)
Food service operations	618,349	390,940	175,932		(51,477)
Extracurricular activities	542,291	360,559	5,327		(176,405)
Interest and fiscal charges	37,718				(37,718)
Totals	$ 14,633,140	$ 1,081,829	$ 1,026,959	$ 6,596	(12,517,756)
		General Revenues:			
		Property taxes levied for:			
		General purposes.			5,891,584
		Capital projects.			198,081
		Grants and entitlements not restricted to specific programs			5,597,340
		Investment earnings			179,212
		Miscellaneous			81,222
		Total general revenues			11,947,439
		Change in net assets			(570,317)
		Net assets at beginning of year			4,460,370
		Net assets at end of year			$ 3,890,053

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	$ 1,868,341	$ 71,148	$ 378,347	$ 2,317,836
Cash with escrow agent		2,333,633		2,333,633
Receivables:				
Taxes	5,808,487		194,083	6,002,570
Intergovernmental			279,597	279,597
Accrued interest	18,557			18,557
Interfund loans receivable	50,000			50,000
Due from other funds	213,719			213,719
Materials and supplies			5,827	5,827
Total assets	$ 7,959,104	$ 2,404,781	$ 857,854	$ 11,221,739
Liabilities:				
Accounts payable	$ 64,725		$ 49,836	$ 114,561
Contracts payable		$174,735	44,336	219,071
Accrued wages and benefits	1,229,048		84,733	1,313,781
Compensated absences payable	449,071		6,329	455,400
Pension obligation payable	300,966		29,185	330,151
Intergovernmental payable	94,443		23,838	118,281
Interfund loan payable		50,000		50,000
Due to other funds			213,719	213,719
Deferred revenue	1,193,689		67,286	1,260,975
Unearned revenue	4,192,200		143,848	4,336,048
Total liabilities	7,524,142	224,735	663,110	8,411,987
Fund Balances:				
Reserved for encumbrances	210,917	2,170,690	232,649	2,614,256
Reserved for materials and supplies inventory			5,827	5,827
Reserved for property tax unavailable for appropriation	441,155		16,052	457,207
Unreserved, undesignated (deficit), reported in:				
General fund	(217,110)			(217,110)
Special revenue funds			(84,315)	(84,315)
Capital projects funds		9,356	24,531	33,887
Total fund balance	434,962	2,180,046	194,744	2,809,752
Total liabilities and fund balances	$ 7,959,104	$ 2,404,781	$ 857,854	$ 11,221,739

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		$ 2,809,752
Amounts reported for governmental activities on the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,233,191
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	$ 1,209,315	
Accrued interest receivable	18,557	
Intergovernmental receivable	33,103	
Total		1,260,975
Long-term liabilities, including lease-purchase agreement and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Lease-purchase agreement	2,667,000	
Compensated absences payable	746,865	
Total		(3,413,865)
Net assets of governmental activities		$ 3,890,053

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes	$ 5,759,297		$ 193,417	$ 5,952,714
Tuition	269,425			269,425
Charges for services			390,940	390,940
Earnings on investments	175,207		5,327	180,534
Extracurricular			338,689	338,689
Classroom materials and fees	59,182			59,182
Other local revenues	104,815		32,949	137,764
Intergovernmental - state	5,862,317		90,527	5,952,844
Intergovernmental - federal			620,683	620,683
Total revenues	12,230,243		1,672,532	13,902,775
Expenditures:				
Current:				
Instruction:				
Regular	5,531,434		95,639	5,627,073
Special	1,102,852		336,929	1,439,781
Vocational	433,654			433,654
Other	5,659			5,659
Support Services:				
Pupil	512,460		180,165	692,625
Instructional staff	684,687		33,403	718,090
Board of education	225,158		1,242	226,400
Administration	1,090,275		8,860	1,099,135
Fiscal	422,056		3,814	425,870
Operations and maintenance	1,454,363			1,454,363
Pupil transportation	1,091,520			1,091,520
Central	68,612			68,612
Operation of non-instructional services:				
Non-instructional services	25,213		154,094	179,307
Food service operations			594,258	594,258
Extracurricular activities	259,936		215,047	474,983
Facilities acquisition and construction	5,700	$469,954	248,536	724,190
Debt service:				
Interest and fiscal charges	37,718	67,000		104,718
Total expenditures	12,951,297	536,954	1,871,987	15,360,238
Excess of expenditures over revenues	(721,054)	(536,954)	(199,455)	(1,457,463)
Other financing sources (uses):				
Lease-purchase agreement		2,667,000		2,667,000
Transfers in		50,000	286,592	336,592
Transfers (out)	(336,592)			(336,592)
Total other financing sources (uses)	(336,592)	2,717,000	286,592	2,667,000
Net change in fund balances	(1,057,646)	2,180,046	87,137	1,209,537
Fund balance at beginning of year	1,492,608		114,754	1,607,362
Decrease in reserve for inventory			(7,147)	(7,147)
Fund balance at end of year	$ 434,962	$ 2,180,046	$ 194,744	$ 2,809,752

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds		$ 1,209,537
Amounts reported for governmental activities in the statement of activities are different because:		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital asset additions	$ 925,417	
Current year depreciation	(229,942)	
Total		695,475
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(17,920)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	136,951	
Earnings on investments	4,005	
Intergovernmental	19,092	
Total		160,048
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities they are reported as an expense when consumed.		(7,147)
Lease-purchase transactions are recorded as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(2,667,000)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		56,690
Change in net assets of governmental activities		$ (570,317)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
From local sources:				
Taxes	$ 6,191,729	$ 6,241,843	$ 5,634,085	$ (607,758)
Tuition	9,920	10,000	269,425	259,425
Earnings on investments	144,828	146,000	207,636	61,636
Classroom materials and fees	57,038	57,500	59,182	1,682
Other local revenues	66,214	66,750	104,729	37,979
Intergovernmental - state	5,885,663	5,933,299	5,862,317	(70,982)
Total revenues	12,355,392	12,455,392	12,137,374	(318,018)
Expenditures:				
Current:				
Instruction:				
Regular	5,126,805	5,261,300	5,266,116	(4,816)
Special	1,113,613	1,117,394	1,070,530	46,864
Vocational	368,937	389,113	388,439	674
Other		6,000	5,659	341
Support Services:				
Pupil	618,149	612,501	523,238	89,263
Instructional staff	715,425	726,867	707,352	19,515
Board of education	207,958	239,414	227,725	11,689
Administration	1,101,126	1,190,917	1,153,830	37,087
Fiscal	435,830	448,127	422,476	25,651
Operations and maintenance	1,400,668	1,518,357	1,478,937	39,420
Pupil transportation	926,890	1,102,484	1,094,648	7,836
Central	49,413	70,055	64,831	5,224
Operation of non-instructional services	20,916	21,385	20,546	839
Extracurricular activities	265,855	272,645	262,247	10,398
Facilities acquisition and construction	12,193	12,000	5,700	6,300
Debt service:				
Interest and fiscal charges		38,000	37,718	282
Total expenditures	12,363,778	13,026,559	12,729,992	296,567
Excess of expenditures over revenues	(8,386)	(571,167)	(592,618)	(21,451)
Other financing sources (uses):				
Refund of prior year expenditures	25	25	86	61
Transfers (out)	(100,000)	(337,340)	(337,339)	1
Advances in			100,000	100,000
Advances (out)	(50,000)	(50,000)	(50,000)	
Total other financing sources (uses)	(149,975)	(387,315)	(287,253)	100,062
Net change in fund balance	(158,361)	(958,482)	(879,871)	78,611
Fund balance at beginning of year (restated)	2,525,884	2,525,884	2,525,884	
Prior year encumbrances appropriated	195,577	195,577	195,577	
Fund balance at end of year	$ 2,563,100	$ 1,762,979	$ 1,841,590	$ 78,611

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust	
	Scholarship	**Agency**
Assets:		
Equity in pooled cash		
and cash equivalents	$ 338,936	$ 37,286
Receivables:		
Accrued interest	1,431	
Total assets	340,367	$ 37,286
Liabilities:		
Accounts payable		$ 5,150
Due to students		32,136
Total liabilities		$ 37,286
Net Assets:		
Held in trust for scholarships	340,367	
Total net assets	$ 340,367	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	$ 14,759
Gifts and contributions.	19,807
Total additions.	34,566
Deductions:	
Scholarships awarded	22,499
Change in net assets	12,067
Net assets at beginning of year.	328,300
Net assets at end of year	$ 340,367

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Margaretta Local School District (the "District") operates under a locally-elected five-member Board form of government and provides educational services mandated by State and/or federal agencies. Located in Erie County, the District serves the Village of Castalia and surrounding townships.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District is the 398th largest in the State of Ohio among 896 public and community schools in terms of enrollment. It currently operates 2 elementary schools and 1 high school. The District employs 79 non-certified employees and 85 certified (including administrative) employees to provide services to approximately 1,346 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, community services and student related activities of the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 to organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments
The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consist of 26 school districts representing 7 counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments is natural gas. The only cost to the District is an administrative charge if it participates in purchasing through the BACG. The membership of BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve staggered two-year terms. The amount paid in fiscal year 2008 was $65,733. Financial information can be obtained by contacting the Erie-Huron-Ottawa ESC, which serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Northern Ohio Educational Computer Association
The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of 41 public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school district. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. The amount paid in fiscal year 2008 was $61,962. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association 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 Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Schools of Ohio Risk Sharing Authority
The District participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

Huron-Erie School Employees Insurance Association
The Huron-Erie School Employees Insurance Association (Association) is a public entity risk pool comprised of 13 districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, located at 2900 Columbus Avenue, Sandusky, Ohio 44870.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 following are the District's only 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 balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Fund - The building capital projects fund is used to account for all transactions related to the acquiring, constructing or improving buildings for the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Other governmental funds of the District are used to account for financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds and for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

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 trust funds are private-purpose trusts which account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

B. 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 primary government, except fiduciary funds, are included on the statement of net assets.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

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.

Fund Financial Statements - Fund financial statements report detailed information about the District. 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, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

C. 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. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected 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 donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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, interest, tuition, grants, and student fees.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund, function, object level for the general fund and at the fund level for all other funds.

Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers’ comments. The express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Erie County Budget Commission for rate determination.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final certificates of estimated resources issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

Lapsing of Appropriations:

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting.

E. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2008, investments were limited to nonnegotiable certificates of deposits, federal agency securities, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are recorded at cost.

The District has invested funds in STAR Ohio during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to $175,207, which includes $59,564 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities 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 are reported as investments.

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

F. Inventory

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. On the fund financial statements inventories are reported at cost and expensed when purchased. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

G. Capital Assets

General capital assets are those assets specifically related to activities reported in the governmental funds. These 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 in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $5,000. The District does utilize a salvage value for capital assets. 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.

All reported capital assets except 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:

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	20 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

H. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets.

On fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as "due to/from other funds." These amounts are eliminated in the governmental type activities columns on the statement of net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service regardless of their age were considered expected to become eligible in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences 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. The lease purchase agreement and pension obligations payable are recognized as a liability on the fund financial statements when due.

K. 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 equity reserves have been established for encumbrances, property taxes unavailable for appropriation, and materials and supplies inventory. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Estimates

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

N. Interfund Activity

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

O. 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 Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2008, included the following individual fund deficits:

Nonmajor funds	Deficit
Food service	$ 41,274
Teacher development	6
Miscellaneous State grants	1,966
Title VI-B	46,365
Title I	38,139
EHA preschool grants	20,608

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities or from negative cash balances at fiscal year-end (See note 5.A).

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 of Education 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 deposits are deposits of interim monies. 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.

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities 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 securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and 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;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

A. Cash with Escrow Agent

At fiscal year-end, the District had $2,333,633 on deposit in escrow accounts related to the lease-purchase agreement described in Note 9. This amount is not included in the total amount of deposits reported below. Also, this amount is not part of the internal cash pool and, therefore, is reported separately on the financial statements as "cash with escrow agent".

B. Cash on Hand

At year-end, the District had $2,000 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

C. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was $1,408,377. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, $1,364,955 of the District's bank balance of $1,664,955 was exposed to custodial risk as discussed below, while $300,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

As of June 30, 2008, the District had the following investments and maturities:

		Investment Maturities
Investment type	Fair Value	6 months or less
FNMA	$ 1,003,777	$ 1,003,777
STAR Ohio	279,904	279,904
Total	$ 1,283,681	$ 1,283,681

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

The weighted average maturity of investments is 0.15 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments, except STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. $503,777 of the federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

Investment type	Fair Value	% of Total
FNMA	$ 1,003,777	78.20
STAR Ohio	279,904	21.80
Total	$ 1,283,681	100.00

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

Cash and investments per note	
Carrying amount of deposits	$ 1,408,377
Cash with escrow agent	2,333,633
Investments	1,283,681
Cash on hand	2,000
Total	$ 5,027,691

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

Cash and investments per statement of net assets	
Governmental activities	$ 4,651,469
Private-purpose trust funds	338,936
Agency fund	37,286
Total	$ 5,027,691

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2008, as reported on the fund statements, consist of the following amounts due to/from other funds:

Receivable fund	Payable fund	Amount
General	Nonmajor governmental funds	$213,719

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	Amount
General fund	$286,592
Transfers to Building fund from:	
General fund	50,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers made in fiscal year 2008 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

C. Interfund balances at June 30, 2008, as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

Receivable fund	Payable fund	Amount
General	Building	$ 50,000

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.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

NOTE 6 - PROPERTY TAXES – (Continued)

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 will be eliminated by calendar year 2009, and the 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 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Erie and Sandusky County Auditors. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations.

The amount available as an advance at June 30, 2008, was $441,155 in the general fund, and $16,052 in the permanent improvement fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount that was available as an advance at June 30, 2007, was $315,943 in the general fund, and $10,028 in the permanent improvement fund (a nonmajor governmental fund). The amount available as an advance can vary depending upon when tax bills are sent by the County Auditors.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 157,370,640	85.26	$ 158,983,170	91.41
Public utility personal	8,560,440	4.64	8,132,470	4.68
Tangible personal property	18,639,086	10.10	6,799,630	3.91
Total	$ 184,570,166	100.00	$ 173,915,270	100.00
Tax rate per $1,000 of assessed valuation	$56.80		$60.75	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008, consisted of taxes, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Property taxes	$ 6,002,570
Intergovernmental	279,597
Accrued interest	18,557
Total	$ 6,300,724

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 8 - CAPITAL ASSETS

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

Governmental activities:	Balance 06/30/07	Additions	Deductions	Balance 06/30/08
Capital assets, not being depreciated:				
Land	$ 103,182			$ 103,182
Construction in progress		$536,954		536,954
Total capital assets, non being depreciated	103,182	536,954		640,136
Capital assets, being depreciated:				
Land improvements	1,207,902	10,194		1,218,096
Building and improvements	5,173,640	211,188		5,384,828
Furniture and equipment	576,721	21,400	($15,200)	582,921
Vehicles	1,291,575	145,681	(36,700)	1,400,556
Total capital assets, being depreciated	8,249,838	388,463	(51,900)	8,586,401
Less: accumulated depreciation:				
Land improvements	(946,406)	(31,984)		(978,390)
Building and improvements	(3,574,445)	(81,905)		(3,656,350)
Furniture and equipment	(421,530)	(15,316)	950	(435,896)
Vehicles	(855,003)	(100,737)	33,030	(922,710)
Total accumulated depreciation	(5,797,384)	(229,942)	33,980	(5,993,346)
Governmental activities capital assets, net	$ 2,555,636	$695,475	$ (17,920)	$ 3,233,191

NOTE 8 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 31,510
Special	1,144
Support services:	
Administration	7,705
Operations and maintenance	19,866
Pupil transportation	113,036
Operation of non-instructional services:	
Food service operations	5,461
Extracurricular activities	51,220
Total depreciation expense	$ 229,942

NOTE 9 - LEASE-PURCHASE AGREEMENT

During fiscal year 2008, the District entered into a lease-purchase agreement with the Columbus Regional Airport Authority. The lease meets the criteria of a lease-purchase as defined by FASB Statement No. 13, "Accounting for Leases", which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee. The lease was used to fund the District's building addition at the Bogart Elementary School. Capital assets acquired by the lease purchase have been capitalized in the amount of $536,954, which reflects the District's construction in progress balance as of June 30, 2008. The remaining amount of $2,130,046 remains unspent as of June 30, 2008. Lease-purchase payments have been reflected as debt service expenditures in the building fund. There were no principal payments in fiscal year 2008. The agreement required the District establish an escrow account with US Bank. The District will draw down funds from this account as constructions bill become due. The balance in this account as June 30, 2008, was $2,333,633.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2008.

NOTE 9 - LEASE-PURCHASE AGREEMENT – (Continued)

Fiscal Year Ending June 30,	Total
2009	$ 112,647
2010	199,770
2011	199,929
2012	198,941
2013	198,806
2014 - 2018	991,665
2019 - 2023	984,474
2024 - 2028	1,164,248
Total minimum lease payments	4,050,480
Less: amount representing interest	(1,383,480)
Present value of minimum lease payments	$ 2,667,000

NOTE 10 - LONG-TERM OBLIGATIONS

A. The District's long-term obligations during the year consist of the following:

	Balance Outstanding 06/30/07	Additions	Reductions	Balance Outstanding 06/30/08	Amounts Due in One Year
Lease-purchase agreement		$ 2,667,000		$ 2,667,000	
Compensated absences	$846,019	696,195	($339,949)	1,202,265	$522,877
Total governmental activities	$ 846,019	$ 3,363,195	$ (339,949)	$ 3,869,265	$ 522,877

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District, are primarily the general fund and the food service fund (a nonmajor governmental fund).

NOTE 10 - LONG-TERM OBLIGATIONS – (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of $14,867,348 and an unvoted debt margin of $165,193.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for thirty three percent of the total sick leave accumulation, up to a maximum accumulation of seventy days for all employees. An employee receiving such payment must meet the retirement provisions set by STRS Ohio and SERS and at least 5 years with the District.

B. Early Retirement Incentive - STRS Ohio

The District provides an early retirement incentive plan for State Teacher's Retirement System of Ohio (STRS Ohio) employees who are eligible for retirement under STRS Ohio guidelines and retire effective at the end of the fiscal year 2008 school year. Employees who enroll in the early retirement incentive plan will receive a cash payment in addition to their severance payment. This is a one time opportunity for those eligible in fiscal year 2009. Employees who enroll in the early retirement incentive plan must submit written notification to the Board on or before March 31, 2008. The early retirement incentive amounts are paid in two cash payments in June 2008 and January 2009. Eight employees took advantage of the early retirement incentive in fiscal year 2008. A liability for the early retirement incentive payments has been recorded in the fund financial statements for the amount expected to be liquidated with expendable available financial resources which amounted to $455,400 and is included in the compensated absences payable. The entire liability is recorded on the statement of net assets.

NOTE 11 - OTHER EMPLOYEE BENEFITS – (Continued)

C. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance in the amount of $150,000 to the Superintendent, $75,000 to the Principals and Treasurer and $10,000 to $20,000 to all other classified employees.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2008, the District has contracted with the Schools of Ohio Risk Sharing Authority (SORSA) to provide insurance coverage in the following amounts:

Limits of Coverage	Carrier	Coverage	Deductible
General liability:			
Each occurrence	Somers Agency Inc.	$ 1,000,000	
Aggregate		3,000,000	$5,000
Fleet:			
Comprehensive	Somers Agency Inc	300,000	1,000
Collision			
Umbrella liability	Somers Agency Inc	2,000,000	
Building and contents	Somers Agency Inc	34,397,648	1,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

B. Huron-Erie School Employees Insurance Association

The District has contracted with the Huron-Erie School Employees Insurance Association (Association) to provide medical/surgical, prescription drug and dental insurance benefits for its employees and their covered dependents. The Association is a shared risk pool comprised of 13 school districts that provide public education within Erie and Huron Counties. The Districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

NOTE 12 - RISK MANAGEMENT – (Continued)

In the event of withdrawal, the District shall assume and be responsible for payment of all claims of its eligible employees, families, and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

C. OSBA Workers' Compensation Group Rating Plan

For fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - 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.

NOTE 13 - PENSION PLANS – (Continued)

For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were $195,435, $207,641 and $205,467, respectively; 46.30 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

A. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

NOTE 13 - PENSION PLANS – (Continued)

The District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were $752,565, $757,456 and $747,394, respectively; 83.34 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were $903 made by the District and $1,456 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2008, three members of the Board of Education have elected Social Security. The District’s liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO’s, PPO’s and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were $120,947, $100,710 and $111,644, respectively; 46.30 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were $14,082, $14,122 and $16,353, respectively; 46.30 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

A. State Teachers Retirement System of Ohio

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

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 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were $57,890, $58,266 and $57,492, respectively; 83.34 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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, cash disbursements and encumbrances.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) 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 the GAAP basis are that:

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis);

(e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	General Fund
Budget basis	$ (879,871)
Net adjustment for revenue accruals	92,869
Net adjustment for expenditure accruals	(469,119)
Net adjustment for other sources/(uses)	(49,339)
Adjustment for encumbrances	247,814
GAAP basis	$ (1,057,646)

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement 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 District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Textbooks/ Instructional Materials	Capital Acquisition
Set-aside balance as of June 30, 2007	$ (1,678,975)	
Current year set-aside requirement	215,904	$215,904
Current year offsets		(187,393)
Qualifying disbursements	(158,866)	(316,043)
Total	$ (1,621,937)	$ (287,532)
Balance carried forward to FY 2009	$ (1,621,937)	

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbook/instructional materials reserve, this extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to next fiscal year.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

NOTE 18 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The District had the following contractual commitments outstanding as of June 30, 2008:

Contractor:	Commitment	Remaining Balance
Telamon Construction - General Contract	$1,486,000	$1,378,388
All-Phase Power & Lighting - Electrical	354,800	354,800
Martiznez Construction - Fire Protection	225,929	225,929
Martiznez Construction - Plumbing & HVAC	322,822	322,822
Total	$2,389,551	$2,281,939

MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Nutrition Cluster:			
National School Lunch Program	10.555		
Cash Assistance		$ 134,970	$ 134,970
Non-cash Assistance (Food Distribution)		31,688	31,688
Total National School Lunch Program		166,658	166,658
School Breakfast Program	10.553	3,310	3,310
Total U.S. Department of Agriculture		**169,968**	**169,968**
U.S. DEPARTMENT OF EDUCATION			
Special Education Cluster:			
Passed Through Ohio Department of Education			
Special Education - Preschool Grant	84.173	11,016	17,677
Special Education Grants to States (IDEA Part B)	84.027	387,043	355,840
Total Special Education Cluster		398,059	373,517
Grants to Local Educational Agencies (ESEA Title I)	84.010	80,729	145,778
Safe and Drug-Free Schools and Communities State Grant	84.186	2,825	5,400
Technology Literacy Challenge Fund	84.318	422	
Improving Teacher Quality State Grant	84.367	56,065	60,670
Title V, Innovative State Grant	84.298	2,326	1,060
Total U.S. Department of Education		**540,426**	**586,425**
Total Federal Financial Assistance		**$ 710,394**	**$ 756,393**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's Federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed Federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

NOTE D – TRANSFERS

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with ODE's approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Districts can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2008, the Ohio Department of Education (ODE) authorized the following transfers:

CFDA Number	Program Title	Grant Year	Transfers In	Transfers Out
84.010	Title I Grants to Local Edcuational Agencies	2008	$1,903	
84.010	Title I Grants to Local Edcuational Agencies	2007		$1,903
84.027	Special Education - Grants to States	2008	36,392	
84.027	Special Education - Grants to States	2007		36,392
84.173	Special Education - Preschool Grants	2008	1,003	
84.173	Special Education - Preschool Grants	2007		1,003
84.186	Safe and Drug-Free Schools and Communities	2008	7,924	
84.186	Safe and Drug-Free Schools and Communities	2007		7,924
84.298	Title V Innovative Education Program Strategies	2008	5,804	
84.298	Title V Innovative Education Program Strategies	2007		5,804
84.318	Educational Technology State Grants	2008	616	
84.318	Educational Technology State Grants	2007		616
	Totals		**$53,642**	**$53,642**

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

NOTE E - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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

Margaretta Local School District
Erie County
305 South Washington Street
Castalia, Ohio 44824-9263

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Margaretta Local School District, Erie County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

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

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

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

We also noted certain internal control matters that we reported to the District's management in a separate letter dated March 27, 2009.

Compliance and Other Matters

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

We did note certain noncompliance that we reported to the District's management in a separate letter dated March 27, 2009.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 27, 2009

Mary Taylor, CPA
Auditor of State

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

Margaretta Local School District
Erie County
305 South Washington Street
Castalia, Ohio 44824-9263

To the Board of Education:

Compliance

We have audited the compliance of the Margaretta Local School District, Erie County, Ohio (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 apply to each of its major federal programs for the year ended June 30, 2008. 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 types of 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 Margaretta Local School District, Erie County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

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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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be 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 intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 27, 2009

MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	**Unqualified**
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	**Yes**
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	**No**
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	**No**
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	**No**
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	**Unqualified**
(d)(1)(vi)	**Are there any reportable findings under § .510?**	**No**
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster: (Special Education Grants to States CFDA # 84.027 and Special Education – Preschool Grant CFDA # 84.173)
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	**Yes**

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

FINDING NUMBER 2008-001

Significant Deficiency

Financial Reporting

Sound financial reporting is the responsibility of the Treasurer's Office and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the June 30, 2008, financial statements:

1. Adjustment was made to increase due from other governments and deferred revenues in the Title VI-B Non Major Fund by $30,161 to correct grants receivable improperly excluded from grants receivable accrued at June 30, 2008.

2. Adjustments were made to increase compensated absences payable in the General Fund by $93,446 and in the Food Service Non Major Fund by $6,329 to correct amounts for individuals excluded from the calculation at June 30, 2008.

3. Adjustment was made to increase intergovernmental revenues in the Classroom Reduction Federal Grant Non Major Fund and decrease intergovernmental revenues in the Preschool Federal Grant Non Major Fund to correct an error in posting of grant revenues as of June 30, 2008.

4. Adjustments were made to increase capital assets by $44,640 for construction in progress and vehicles by $71,720, and decrease capital assets – furniture and equipment by $10,020 to correct assets improperly included and/or excluded from the capital asset listing.

5. Adjustment was made to increase accrued wages and benefits payable in the General Fund by $49,407 to correct amounts for employees improperly excluded from the calculation of accrued wages and benefits accrued at June 30, 2008.

   The Treasurer should review the adjustments identified above to ensure similar errors are not reported on the financial statements in subsequent years. In addition, the District should adopt policies and procedures, including a final review of the financial statements and note disclosures by the Treasurer and Board to identify and correct errors and omissions.

Officials Response:

The District was made aware of, agreed with and recorded the audit adjustments noted above. Steps have been implemented to ensure all appropriate policies and documentation have been identified and reported.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	ORC § 5705.41 (D)(1) Failure of Treasurer to certify expenditures.	Yes	

Mary Taylor, CPA
Auditor of State

MARGARETTA LOCAL SCHOOL DISTRICT

ERIE 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
APRIL 14, 2009

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