



Dave Yost • Auditor of State

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Archbold Area Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Archbold Area Local School District, Fulton County, Ohio, as of June 30, 2011, and the respective changes in cash 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.

As described in Note 22 to the financial statements, for the year ended June 30, 2011, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

March 7, 2012

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The discussion and analysis of the financial performance of Archbold Area Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

The District retired \$3,920,000 in general obligation bonds from amounts accumulated in the Bond Retirement Fund.

In total, net assets decreased \$84,425. This decrease does not relate to a specific cause.

General revenues accounted for \$12,555,215, or 85 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$2,280,662 or 15 percent of total revenues of \$14,835,877.

The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had \$11,830,437 in revenues and other financing sources and \$11,656,610 in expenditures. The General Fund's balance increased \$173,827 from the prior fiscal year. The Bond Retirement Fund had \$3,958,327 in revenues and other financing sources and \$4,439,564 in expenditures. The Bond Retirement Fund's balance decreased \$481,237 from the prior fiscal year.

The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2011 compared to fiscal year 2010.

Table 1		
Net Assets		
Governmental Activities		
	2011	2010
<u>Assets:</u>		
Current and Other Assets	\$16,694,206	\$16,355,318
Capital Assets, Net	16,448,131	17,027,411
Total Assets	33,142,337	33,382,729
<u>Liabilities:</u>		
Current and Other Liabilities	7,423,488	7,161,331
Long-Term Liabilities	11,816,570	12,234,694
Total Liabilities	19,240,058	19,396,025
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	7,197,636	7,359,459
Restricted	4,254,073	4,128,723
Unrestricted	2,450,570	2,498,522
Total	\$13,902,279	\$13,986,704

Total assets decreased by \$240,392. This decrease in assets is partly due to the normal course of recognizing depreciation on capital assets.

Total liabilities decreased \$155,967, less than 1 percent due to payments on long-term debt.

Total net assets decreased by \$84,425 (less than 1 percent). Net assets invested in capital assets decreased by \$161,823 and restricted net assets increased by \$125,350, due to the retirement of debt issues. Unrestricted net assets decreased by \$47,952.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Table 2 reflects the changes in net assets for fiscal year 2011 compared to fiscal year 2010.

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

	<u>2011</u>	<u>2010</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$922,204	\$854,631
Operating Grants, Contributions and Interest	1,358,458	1,295,985
Total Program Revenues	<u>2,280,662</u>	<u>2,150,616</u>
General Revenues:		
Property Taxes	6,307,431	6,433,679
Grants and Entitlements	6,136,797	6,395,620
Interest	50,935	72,603
Gifts and Donations	1,500	10,067
Miscellaneous	57,801	104,158
Proceeds from Sale of Capital Assets	751	
Total General Revenues	<u>12,555,215</u>	<u>13,016,127</u>
Total Revenues	<u>14,835,877</u>	<u>15,166,743</u>
<u>Expenses:</u>		
Instruction	8,467,343	8,110,523
Support Services:		
Pupils	892,452	914,944
Instructional Staff	511,162	530,624
Board of Education	33,224	87,537
Administration	809,828	751,383
Fiscal	371,875	378,740
Operation and Maintenance of Plant	1,090,722	1,154,555
Pupil Transportation	524,762	494,183
Operational of Non-Instructional Services	517,510	518,407
Extracurricular Activities	743,651	734,960
Capital Outlay	403,595	152,900
Interest and Fiscal Charges	474,912	581,172
Issuance Costs	79,266	
Total Expenses	<u>14,920,302</u>	<u>14,409,928</u>
Change in Net Assets	(84,425)	756,815
Beginning Net Assets	<u>13,986,704</u>	<u>13,229,889</u>
Ending Net Assets	<u>\$13,902,279</u>	<u>\$13,986,704</u>

Program revenues increased by \$130,046 (6 percent) primarily due to the increase in federal stimulus money received by the District.

General revenues decreased by \$460,912 (less than 4 percent).

Total expenses increased by \$510,374 (less than 4 percent).

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

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

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2011	2011	2010	2010
Instruction	\$8,467,343	\$7,052,799	\$8,110,523	\$7,299,000
Support Services:				
Pupils	892,452	882,901	914,944	558,943
Instructional Staff	511,162	510,301	530,624	411,070
Board of Education	33,224	33,224	87,537	87,537
Administration	809,828	796,530	751,383	737,701
Fiscal	371,875	371,875	378,740	378,740
Operation and Maintenance of Plant	1,090,722	1,009,379	1,154,555	1,103,486
Pupil Transportation	524,762	524,762	494,183	456,268
Non-Instructional	517,510	(5,026)	518,407	(13,200)
Extracurricular Activities	743,651	505,122	734,960	505,695
Capital Outlay	403,595	403,595	152,900	152,900
Interest and Fiscal Charges	474,912	474,912	581,172	581,172
Issuance Costs	79,266	79,266		
Total Expenses	\$14,920,302	\$12,639,640	\$14,409,928	\$12,259,312

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 83 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 85 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Bond Retirement Fund. General Fund revenues and other financing sources decreased by less than 1 percent from 2010. General Fund expenditures increased by 3 percent from 2010. Bond Retirement Fund revenues and other financing sources increased by 174 percent, and expenditures increased by 167 percent. The increases are attributed to an advance refunding transaction and the issuance of qualified school construction bonds.

The net increase in the General Fund balance for fiscal year 2010 was \$566,594, compared to a net increase of \$173,827 for fiscal year 2011. This was primarily a result of an increase in expenditures for wages and related fringe benefits. The net decrease in the Bond Retirement Fund balance for fiscal year 2010 was \$219,045 compared to a net decrease of \$481,237 for fiscal year 2011. This was primarily a result of a decrease in property tax collections due to a reduction in the District's debt millage.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

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 2011, the District amended its General Fund budget as needed.

Final budgeted revenues and other financing sources were \$11,687,529, the original budget estimates were \$11,682,779. Actual revenues and other financing sources were less than 2 percent above final budgeted amounts.

Final expenditures and other financing uses were budgeted at \$12,412,085, which was less than 1 percent above the original budget estimates. Actual expenditures and other financing uses were \$812,811 or 6.5 percent less than final budgeted amounts primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$16,448,131 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of 3.4 percent from the beginning of the year amount of \$17,027,411. The decrease was attributed to reporting depreciation for capital assets. For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2011, the District's long-term obligations, which include general obligation bonds payable and compensated absences, were \$11,816,570, down 3.4 percent from the end of fiscal year 2010 primarily due to the amortization of the bond refinancing and additional debt service payments made in 2011.

The bonds payable have a final maturity on December 1, 2026. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2011, the District's overall legal debt margin was \$8,244,380, with an un-voted debt margin of \$204,152.

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

Current Issues

The District is concerned for its own in the state of a declining economy and uncertainty in State funding. Archbold is a small rural community of 4,290 people in Northwest Ohio and has a number of small businesses and several industrial manufacturing companies. The economy continues to have an effect on the manufacturing business. Agriculture plays an important part of the economy as well.

State funding for the District continues to be a concern as the State's biennium budget (HB153) sustained significant cuts as a result of a decrease in state resources.

The District received an Excellent with Distinction Rating on the 2010-2011 Local Report Card from the State. This rating is the 11th consecutive Excellence rating for the district.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

In May 2011, District residents renewed a 5 year, 5.39 mill Emergency Levy for operating purposes. This levy provides a source of funds for the financial operations and stability for a period of time. However, despite the levy approval, projections indicate beginning in FY12, the District's expenditures will exceed its' annual revenue resources. Additional funding and/or budget cuts will be necessary in the next 5 years to maintain positive cash balances.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Christine Ziegler, Treasurer, Archbold Area Local School District, 600 Lafayette Street, Archbold, Ohio 43502-1656.

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Assets
June 30, 2011**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$9,023,308
Materials and Supplies Inventory	21,277
Accrued Interest Receivable	2
Accounts Receivable	2,535
Intergovernmental Receivable	231,454
Taxes Receivable	6,254,812
Revenue in Lieu of Taxes Receivable	652,524
Unamortized Bond Costs	508,294
Non-Depreciable Capital Assets	583,053
Depreciable Capital Assets, net	15,865,078
<i>Total Assets</i>	<u>33,142,337</u>
Liabilities:	
Accounts Payable	64,994
Accrued Wages and Benefits	1,073,546
Intergovernmental Payable	296,969
Matured Compensated Absences Payable	20,545
Deferred Revenue	5,967,434
Long-Term Liabilities:	
Due Within One Year	1,346,007
Due in More Than One Year	10,470,563
<i>Total Liabilities</i>	<u>19,240,058</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	7,197,636
Restricted for Debt Service	2,914,986
Restricted for Capital Outlay	922,007
Restricted for Other Purposes	417,080
Unrestricted	2,450,570
<i>Total Net Assets</i>	<u><u>\$13,902,279</u></u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Activities
June 30, 2011**

	Program Revenues		Net(Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction:			
Regular	\$6,942,079	\$421,344	\$634,682
Special	1,270,027		346,927
Vocational	209,643		11,591
Student Intervention Services	6,646		
Other	38,948		
Support Services:			
Pupils	892,452		9,551
Instructional Staff	511,162		861
Board of Education	33,224		
Administration	809,828		13,298
Fiscal	371,875		
Operation and Maintenance of Plant	1,090,722	3,593	77,750
Pupil Transportation	524,762		
Operation of Non-Instructional Services	517,510	258,738	263,798
Extracurricular Activities	743,651	238,529	
Capital Outlay	403,595		
Debt Service:			
Interest and Fiscal Charges	474,912		
Issuance Costs	79,266		
Totals	\$14,920,302	\$922,204	\$1,358,458
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes			5,323,609
Property Taxes, Levied for Capital Outlay			370,284
Property Taxes, Levied for Debt Service			613,538
Grants and Entitlements not Restricted to Specific Programs			6,136,797
Gifts and Donations			1,500
Investment Earnings			50,935
Miscellaneous			57,801
Proceeds from Sale of Capital Assets			751
Total General Revenues			12,555,215
Change in Net Assets			(84,425)
Net Assets Beginning of Year			13,986,704
Net Assets End of Year			\$13,902,279

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2011**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$5,063,832	\$2,869,279	\$1,090,197	\$9,023,308
Materials and Supplies Inventory			21,277	21,277
Accrued Interest Receivable	2			2
Accounts Receivable	2,535			2,535
Intergovernmental Receivable			231,454	231,454
Taxes Receivable	5,383,486	517,345	353,981	6,254,812
Revenue in Lieu of Taxes Receivable	652,524			652,524
<i>Total Assets</i>	<u>\$11,102,379</u>	<u>\$3,386,624</u>	<u>\$1,696,909</u>	<u>\$16,185,912</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	\$28,041		\$36,953	\$64,994
Accrued Wages and Benefits	1,001,121		72,425	1,073,546
Intergovernmental Payable	274,232		22,737	296,969
Matured Compensated Absences Payable	20,545			20,545
Deferred Revenue	5,690,935	\$482,402	505,391	6,678,728
<i>Total Liabilities</i>	<u>7,014,874</u>	<u>482,402</u>	<u>637,506</u>	<u>8,134,782</u>
Fund Balances:				
Nonspendable			21,277	21,277
Restricted		2,904,222	1,047,360	3,951,582
Assigned	32,540			32,540
Unassigned	4,054,965		(9,234)	4,045,731
<i>Total Fund Balances</i>	<u>4,087,505</u>	<u>2,904,222</u>	<u>1,059,403</u>	<u>8,051,130</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,102,379</u>	<u>\$3,386,624</u>	<u>\$1,696,909</u>	<u>\$16,185,912</u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2011**

Total Governmental Fund Balances		\$8,051,130
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		16,448,131
Intergovernmental Receivable, Taxes Receivable and Payments in Lieu of Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		711,294
Unamortized Bond Costs		508,294
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(10,853,389)	
Compensated Absences Payable	(963,181)	
	<u> </u>	
		(11,816,570)
<i>Net Assets of Governmental Activities</i>		<u><u>\$13,902,279</u></u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and Other Local Taxes	\$5,288,518	\$613,167	\$355,338	\$6,257,023
Intergovernmental	5,821,810	517,977	1,154,552	7,494,339
Interest	48,498	1,542	895	50,935
Tuition and Fees	421,344			421,344
Rent	3,593			3,593
Extracurricular Activities	51,225		187,304	238,529
Gifts and Donations	1,500			1,500
Customer Sales and Services			258,738	258,738
Payments in Lieu of Taxes	160,459			160,459
Miscellaneous	32,739		25,062	57,801
<i>Total Revenues</i>	<u>11,829,686</u>	<u>1,132,686</u>	<u>1,981,889</u>	<u>14,944,261</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,244,279		294,122	6,538,401
Special	1,021,116		199,616	1,220,732
Vocational	181,456			181,456
Student Intervention Services	6,646			6,646
Other	36,096		2,852	38,948
Support Services:				
Pupils	674,779		237,104	911,883
Instructional Staff	502,782		4,872	507,654
Board of Education	33,224			33,224
Administration	782,324	677	13,739	796,740
Fiscal	344,696	16,611	9,344	370,651
Operation and Maintenance of Plant	948,881		98,651	1,047,532
Pupil Transportation	461,094		78,859	539,953
Operation of Non-Instructional Services			509,755	509,755
Extracurricular Activities	412,874		218,112	630,986
Capital Outlay	6,363		397,232	403,595
Debt Service:				
Principal		3,920,000		3,920,000
Interest		423,010		423,010
Issuance Costs		79,266		79,266
<i>Total Expenditures</i>	<u>11,656,610</u>	<u>4,439,564</u>	<u>2,064,258</u>	<u>18,160,432</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>173,076</u>	<u>(3,306,878)</u>	<u>(82,369)</u>	<u>(3,216,171)</u>
Other Financing Sources:				
General Obligation Bonds Issued			625,000	625,000
Refunding Bonds Issued		2,679,963		2,679,963
Premium on Refunding Bonds		145,678		145,678
Proceeds from Sale of Capital Assets	751			751
<i>Total Other Financing Sources</i>	<u>751</u>	<u>2,825,641</u>	<u>625,000</u>	<u>3,451,392</u>
<i>Net Change in Fund Balances</i>	<u>173,827</u>	<u>(481,237)</u>	<u>542,631</u>	<u>235,221</u>
Fund Balance at Beginning of Year (Restated)	3,913,678	3,385,459	516,772	7,815,909
<i>Fund Balance at End of Year</i>	<u>\$4,087,505</u>	<u>\$2,904,222</u>	<u>\$1,059,403</u>	<u>\$8,051,130</u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement Activities
For the Fiscal Year Ended June 30, 2011**

Net Change in Fund Balances - Total Governmental Funds \$235,221

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

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

Capital Outlay - Depreciable Capital Assets	205,225	
Depreciation	<u>(781,047)</u>	
		(575,822)

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

Loss on Disposal of Capital Assets		(3,458)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Payments in Lieu of Taxes	(160,459)	
Intergovernmental	916	
Delinquent Property Taxes	<u>50,408</u>	
		(109,135)

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

3,920,000

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

Capital Appreciation Interest		(51,902)
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Proceeds from bond issues		(3,450,641)
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Some expenses reported on the statement of activities, such as compensated absences that do not require use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable		(48,688)
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<i>Change in Net Assets of Governmental Activities</i>		<u><u>(\$84,425)</u></u>
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See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures and Changes In Fund Balance -
Budget (Non-GAAP Budgetary Basis) and Actual Comparison
GENERAL FUND
For the Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property and Other Local Taxes	\$5,178,223	\$5,178,223	\$5,326,088	\$147,865
Intergovernmental	5,810,396	5,810,396	5,825,006	14,610
Interest	75,000	75,000	48,765	(26,235)
Tuition and Fees	329,240	333,990	421,230	87,240
Rent	4,000	4,000	3,568	(432)
Extracurricular Activities	89,230	89,230	51,169	(38,061)
Gifts and Donations	3,000	3,000	1,500	(1,500)
Payments in Lieu of Taxes	160,459	160,459	160,459	
Miscellaneous	14,766	14,766	16,677	1,911
<i>Total Revenues</i>	<u>11,664,314</u>	<u>11,669,064</u>	<u>11,854,462</u>	<u>185,398</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,482,057	6,383,020	6,158,017	225,003
Special	965,696	1,064,059	1,019,694	44,365
Vocational	196,412	193,761	181,145	12,616
Student Intervention Services	7,925	4,786	6,646	(1,860)
Other	11,570	26,891	26,585	306
Support Services:				
Pupils	700,228	716,885	691,662	25,223
Instructional Staff	521,697	532,314	517,768	14,546
Board of Education	113,614	113,293	35,389	77,904
Administration	783,235	810,254	772,221	38,033
Fiscal	351,474	353,915	343,252	10,663
Operation and Maintenance of Plant	1,143,987	1,137,499	957,559	179,940
Pupil Transportation	517,655	521,420	473,695	47,725
Extracurricular Activities	438,121	450,662	409,278	41,384
Capital Outlay	83,237	83,237	6,363	76,874
<i>Total Expenditures</i>	<u>12,316,908</u>	<u>12,391,996</u>	<u>11,599,274</u>	<u>792,722</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(652,594)</u>	<u>(722,932)</u>	<u>255,188</u>	<u>978,120</u>
Other Financing Sources and Uses:				
Advances In	11,465	11,465		(11,465)
Proceeds from Sale of Capital Assets			751	751
Refund of Prior Year Expenditures	7,000	7,000	13,752	6,752
Advances Out	(21,500)	(20,089)		20,089
<i>Total Other Financing Sources and Uses</i>	<u>(3,035)</u>	<u>(1,624)</u>	<u>14,503</u>	<u>16,127</u>
<i>Net Change in Fund Balances</i>	<u>(655,629)</u>	<u>(724,556)</u>	<u>269,691</u>	<u>994,247</u>
Fund Balance at Beginning of Year	4,634,902	4,634,902	4,634,902	
Prior Year Encumbrances Appropriated	98,798	98,798	98,798	
<i>Fund Balance at End of Year</i>	<u>\$4,078,071</u>	<u>\$4,009,144</u>	<u>\$5,003,391</u>	<u>\$994,247</u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011**

	Private Purpose Trust	Agency Fund
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$10	\$67,016
Investments	55,462	
<i>Total Assets</i>	\$55,472	\$67,016
Liabilities		
Current Liabilities:		
Undistributed Monies		\$67,016
Net Assets		
Held in Trust for Scholarships	55,472	
<i>Total Net Assets</i>	\$55,472	

See Accompanying Notes to the Basic Financial Statements

ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	<u>Private Purpose Trust</u>
ADDITIONS:	
Interest	<u>\$436</u>
<i>Change in Net Assets</i>	436
Net Assets Beginning of Year	<u>55,036</u>
<i>Net Assets End of Year</i>	<u><u>\$55,472</u></u>

See Accompanying Notes to the Basic Financial Statements

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Archbold Area Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District is the 388th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 46 classified employees and 96 certified teaching personnel, who provide services to 1,333 students and other community members. The board oversees the operations of the District's four instructional/support facilities.

The Reporting Entity

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

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

The District is associated with organizations, which are defined as jointly governed organizations, a related organization and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Archbold Community Library, the Northern Buckeye Education Council's Employee Insurance Benefit Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Governmental Funds

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

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

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

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

Fiduciary Funds

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

C. Measurement Focus

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Expenditures/Expenses

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

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2011, investments consisted of federal agency securities, a money market mutual fund, US treasury bills, and nonnegotiable certificates of deposit. Investments in federal securities and US treasurer bills are reported at fair value which is based on quoted market prices. The District's money market mutual fund is recorded at the amount reported by Robert W. Baird and Company at June 30, 2011. Nonnegotiable certificates of deposits are reported at cost.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the following funds in fiscal year 2011, was \$48,498 for the General Fund, which includes \$23,279 assigned from other funds, and \$436 for the Winzeler Trust Fund.

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

G. Inventory

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

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

H. Unamortized Issuance Costs

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

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

I. Capital Assets

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	45 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

J. Compensated Absences

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

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 consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and state and federal grants restricted to expenditure for specific purposes.

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

M. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

N. Interfund Transactions

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

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

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

O. Estimates

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

P. Pass-Through Grants

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2011.

3. ACCOUNTABILITY

At June 30, 2011, Management Information System and Title I special revenue funds, had a deficit fund balances of \$101, and \$9,133, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit fund balances; however, this is done when cash is needed rather than when accruals occur.

4. BUDGETARY BASIS OF ACCOUNTING

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING – (Continued)

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	\$173,827
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2010, Received In Cash FY 2011	386,140
Accrued FY 2011, Not Yet Received in Cash	(347,612)
Expenditure Accruals:	
Accrued FY 2010, Paid in Cash FY 2011	(1,240,996)
Accrued FY 2011, Not Yet Paid in Cash	1,323,939
Encumbrances Outstanding at Year End (Budget Basis)	(25,607)
Budget Basis	\$269,691

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS – (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if trading requirements have been met.

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

Investments may only be made through specified dealers and institutions.

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

Deposits

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

Investments

As of June 30, 2011, the District had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>13 to 24 Months</u>	<u>25 to 36 Months</u>
Federal Home Loan Bank (FHLB) Bonds	\$1,149,835	\$299,835	\$850,000	
Federal Home Loan Bank (FHLB) Discount Notes	349,047	349,047		
Federal National Mortgage Association (FNMA) Bonds	449,006		449,006	
Federal Home Loan Mortgage Association (FHLMA) Bonds	749,839		449,869	\$299,970
US Treasury Bill	299,274	299,274		
Total Investments	\$2,997,001	\$948,156	\$1,748,875	\$299,970

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS – (Continued)

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk – The following investments carry the highest ratings by Moody’s and Standard and Poor’s:

Investment Type	Moody’s	Standard & Poor’s
Federal Home Loan Bank (FHLB) Bonds	Aaa	AAA
Federal Home Loan Bank (FHLB) Discount Notes	Aaa	AAA
Federal National Mortgage Association (FNMA) Bonds	Aaa	AAA
Federal Home Loan Mortgage Association (FHLMA) Bonds	Aaa	AAA
First American Treasury Obligations Money Market Fund	Aaa	AAAm

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. The FHLB Bonds, FHLB Discount Notes, FNMA Bonds, FHLMA Bonds, and US Treasury Bill 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 it may invest in any one issuer, however state statute limits investments in commercial paper and bankers’ acceptances to 25 percent of the interim monies available for investment at any one time. The District’s investment in FHLB Bonds; FHLB Discount Notes; FNMA Bonds; and FHLMA Bonds represent 38 percent, 12 percent, 15 percent, and 25 percent, respectively of the District’s total investments.

6. PROPERTY TAXES

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

6. PROPERTY TAXES – (Continued)

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes for 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2011 were levied after April 1, 2010, on the assessed values as of December 31, 2009, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes. Tangible personal property taxes for 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Fulton and Henry Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2011 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2011, was \$345,075 in the General Fund, \$34,943 in the Debt Service Fund, and \$42,326 in the Capital Projects Fund. The amount available as an advance at June 30, 2010, was \$286,173 in the General Fund and \$48,094 in the Debt Service Fund, and \$29,571 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2011 taxes were collected are:

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

6. PROPERTY TAXES – (Continued)

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$126,449,040	57%	\$126,870,370	62%
Industrial/Commercial	86,904,700	39%	68,806,990	34%
Public Utility	8,004,540	4%	8,474,140	4%
Total Assessed Value	<u>\$221,358,280</u>	<u>100%</u>	<u>\$204,151,500</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$50.36		\$45.10	

7. RECEIVABLES

Receivables at June 30, 2011, consisted of accounts (tax abatements, interest, tuition and fees, and miscellaneous), intergovernmental receivables arising from grants, and property taxes. All receivables are considered collectible in full and within one year.

	<u>Amount</u>
Accounts Receivable:	
General Fund	
Tuition and Fees	\$144
Rent	25
Extracurricular	56
Miscellaneous	2,310
Total Accounts Receivable	<u>\$2,535</u>
Intergovernmental Receivable:	
Other Governmental Funds	
Federal Grant Monies	
Wind Turbine Project	\$29,213
Jobs Education	143,616
Race to the Top	12,656
Title IDEA-B	100
Title I Fund	16,167
Title II-A Fund	29,702
Total Intergovernmental Receivable	<u>\$231,454</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance at 6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/11</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$583,053			\$583,053
Total Nondepreciable Capital Assets	<u>583,053</u>			<u>583,053</u>
Depreciable Capital Assets				
Land Improvements	2,042,883	\$18,300		2,061,183
Buildings and Building Improvements	22,330,335	18,944		22,349,279
Furniture, Fixtures, and Equipment	1,505,677	52,827	\$10,027	1,548,477
Vehicles	1,099,727	115,154	159,550	1,055,331
Total Depreciable Capital Assets	<u>26,978,622</u>	<u>205,225</u>	<u>169,577</u>	<u>27,014,270</u>
Less Accumulated Depreciation				
Land Improvements	542,738	101,471		644,209
Buildings and Building Improvements	8,383,356	528,434		8,911,790
Furniture, Fixtures, and Equipment	777,041	65,162	10,027	832,176
Vehicles	831,129	85,980	156,092	761,017
Total Accumulated Depreciation	<u>10,534,264</u>	<u>781,047</u>	<u>166,119</u>	<u>11,149,192</u>
Depreciable Capital Assets, Net	<u>16,444,358</u>	<u>(575,822)</u>	<u>3,458</u>	<u>15,865,078</u>
Governmental Activities Capital Assets, Net	<u>\$17,027,411</u>	<u>(\$575,822)</u>	<u>\$3,458</u>	<u>\$16,448,131</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$450,568
Special	36,605
Vocational	26,992
Support Services:	
Operation and Maintenance of Plant	66,096
Pupil Transportation	74,697
Operation of Non-Instructional Services	4,146
Extracurricular	121,943
Total Depreciation Expense	<u>\$781,047</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

9. RISK MANAGEMENT

A. Property and Liability

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

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2011, the District contracted with the Ohio Casualty Company for property, fleet, violence and liability insurance in the amounts as follows:

Property, blanket building and personal property	\$51,875,000
Inland Marine, computer hardware/software	167,000
Inland Marine, musical instruments	427,759
Inland Marine, miscellaneous equipment	725,524
Inland Marine, audio/visual equipment	167,120
Crime, public employee dishonesty blanket bond	50,000
Crime, forgery and alteration	50,000
Crime, computer fraud	25,000
General Liability, in aggregate	2,000,000
General Liability, per occurrence	1,000,000
General Liability, products/completed operations aggregate	2,000,000
General Liability, personal and advertising injury	1,000,000
General Liability, medical payments	15,000
Employee Benefits Liability, in aggregate	3,000,000
Employee Benefits Liability, per occurrence	1,000,000
Sexual Misconduct and Molestation Liability, in aggregate	1,000,000
Sexual Misconduct and Molestation Liability, per occurrence	1,000,000
School Leaders Errors and Omissions Liability, in aggregate	1,000,000
School Leaders Errors and Omissions Liability, per occurrence	1,000,000
Violent Event Response Coverage	1,000,000
Automobile, single limit	1,000,000
Automobile, uninsured/underinsured	1,000,000
Automobile, medical payments	1,000
Umbrella Liability, in aggregate	2,000,000
Umbrella Liability, in aggregate	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in the amount of insurance coverage from last year.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

9. RISK MANAGEMENT – (Continued)

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities (see Note 18). The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, vision, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (see Note 18). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

10. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 can be obtained by visiting the SERS website at www.ohsers.org, under Forms and Publications.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

10. PENSION AND RETIREMENT PLANS – (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contribution to SERS for the years ended June 30, 2011, 2010 and 2009 were \$193,820, \$192,928, and \$142,305 respectively; 68 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allow members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to in investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member account as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance payable for life, is the greater of the "formula benefit" or tile "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years or credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 year, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

10. PENSION AND RETIREMENT PLANS – (Continued)

DC Plan Benefits - Benefit are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contribution and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the members account balance.

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 % of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy - For the fiscal year ended June 30, 2011, 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. For fiscal year 2011, the portion used to fund pension obligations was 13 percent. 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

10. PENSION AND RETIREMENT PLANS – (Continued)

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2011, 2010, and 2009 were \$769,374, \$896,954, and \$859,146, respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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. As of June 30, 2011, four members of the Board of Education have elected Social Security. The contribution rate is 5.2 percent of wages.

11. EARLY RETIREMENT INCENTIVE PLAN

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

12. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Medicare Part B Plan – The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 was \$12,473, \$11,473, and \$10,253, respectively; 68 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

12. POSTEMPLOYMENT BENEFITS – (Continued)

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned health care for the years ended June 30, 2011, 2010, and 2009 were \$43,086, \$7,549, and \$26,514 respectively; 37 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System

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

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

12. POSTEMPLOYMENT BENEFITS – (Continued)

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, 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, 2011, 2010, and 2009 were \$59,183, \$68,996, and \$66,088 respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

13. COMPENSATED ABSENCES

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

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

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2011 the following changes occurred in obligations reported in the government-wide financial statements:

	<u>Balance at 6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/11</u>	<u>Due Within One Year</u>
Series 2001:					
Current interest bonds	\$2,680,000		\$2,680,000		
Capital appreciation bonds	117,000	\$8,000	125,000		
Total Series 2001	<u>2,797,000</u>	<u>8,000</u>	<u>2,805,000</u>		
Series 2002:					
Current interest bonds	1,265,000		625,000	\$640,000	\$640,000
Series 2004					
Current interest bonds	5,855,000			5,855,000	
Capital appreciation bonds	845,552	43,902	490,000	399,454	445,898
Unamortized Bond Premium	557,649		49,355	508,294	49,355
Total Series 2004	<u>7,258,201</u>	<u>43,902</u>	<u>539,355</u>	<u>6,762,748</u>	<u>495,253</u>
Qualified School Construction Bonds 2011:					
General obligation bonds		625,000		625,000	
Advance Refunding 2011:					
Current interest bonds		2,650,000		2,650,000	185,000
Capital appreciation bonds		29,963		29,963	
Unamortized Bond Premium		145,678		145,678	9,712
Total Series 2011		<u>2,825,641</u>		<u>2,825,641</u>	<u>194,712</u>
Total General obligation bonds	<u>11,320,201</u>	<u>3,502,543</u>	<u>3,969,355</u>	<u>10,853,389</u>	<u>1,329,965</u>
Compensated absences payable	914,493	48,688		963,181	16,042
Total	<u>\$12,234,694</u>	<u>\$3,551,231</u>	<u>\$3,969,355</u>	<u>\$11,816,570</u>	<u>\$1,346,007</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

14. LONG-TERM OBLIGATIONS – (Continued)

School Facilities Construction and Improvement Bonds – 2001

Proceeds from the outstanding bonds were used for the purpose of constructing additions to and renovating and improving existing school buildings and facilities at the high school. These bonds were issued on March 22, 2001. The bonds consisted of \$3,155,000 in current interest bonds (\$475,000 issued as serial bonds and \$2,680,000 issued as term bonds) and \$145,000 in capital appreciation bonds. The serial bonds and the capital appreciation bonds have been retired. In 2011, the District did an advance refunding on the remaining current interest bonds.

School Improvement Replacement Bonds – 2002

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

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

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	640,000	4.00%

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

School Improvement Replacement Bonds – 2004

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

The refunding bonds were issued on August 17, 2004. The bonds consisted of \$6,635,000 in current interest serial bonds and \$729,797 in capital appreciation bonds.

The refunding bonds outstanding are general obligations of the District for which full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source payment is derived from a current tax levy.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

14. LONG-TERM OBLIGATIONS – (Continued)

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

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

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

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

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2011	\$137,984	\$490,000

The value of the capital appreciation bonds reported at June 30, 2011 was \$399,454. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$261,470 has been included in the value. The bonds are being retired through the Bond Retirement Fund.

Advance Refunding Bonds – 2011

Proceeds from the bonds were used for the purpose of refunding of general obligation bonds, dated March 22, 2001, which were issued for the purpose of constructing additions to, and renovating and improving existing school buildings and facilities at the high school. The refunding bonds were issued in March 2011. The bonds consisted of \$2,650,000 in current interest serial bonds and \$29,963 in capital appreciation bonds. The capital appreciation bonds were issued at a premium of \$145,678.

The refunding bonds outstanding are general obligations of the District for which full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source payment is derived from a current tax levy.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

14. LONG-TERM OBLIGATIONS – (Continued)

The net proceeds of the refunding bond issue, in the amount of \$2,745,701 were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the 2001 School Facilities Construction and Improvement Bonds. As a result, \$2,680,000 of the 2001 School Facilities Construction and Improvement Bonds are considered defeased and the liability for those bonds has been removed from the District's financial statements. At June 30, 2011, \$2,680,000 of this debt was still outstanding.

The District in effect decreased its aggregated debt service payments by \$277.226 over the next 15 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$220,605.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on December 1 in the years as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$185,000	0.700%
2012	165,000	2.000%
2013	165,000	2.000%
2014	170,000	2.000%
2015	170,000	2.250%
2016	180,000	2.500%
2017	180,000	2.750%
2019	190,000	3.000%
2020	190,000	3.125%
2021	195,000	3.500%
2022	200,000	4.500%
2023	210,000	4.500%
2024	220,000	4.500%
2025	230,000	4.000%

The capital appreciation bonds were issued in the aggregate original principal amount of \$29,963 and mature on December 1 in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2011	\$29,963	\$185,000

The value of the capital appreciation bonds reported at June 30, 2011 was \$29,963. The annual accretion of interest is based on the straight-line method. No interest was accreted as of June 30, 2011. The bonds are being retired through the Bond Retirement Fund.

Qualified School Construction Bonds – 2011

Proceeds from the bonds are for the construction and installation of a wind turbine. The bond consisted of \$625,000 general obligation bonds issued in March 2011. The term bonds, with an interest rate of 5.57 percent, was issued for a 15 year period, with final maturity in fiscal year 2027. The bonds are being retired through the Bond Retirement Fund.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

14. LONG-TERM OBLIGATIONS – (Continued)

In addition to this bond, the District secured a line of credit for \$1.075 million with a local bank to be used as bridge financing for the wind turbine project for expenditures beyond the bond amount of \$625,000. Monies will be drawn as needed and subsequently reimbursed thru ARRA State Energy Plan monies passed through the Ohio Department of Development. The line of credit has a borrowing rate of 5.5 percent and will be due December 1, 2014.

The scheduled payments of principal and interest on debt outstanding at June 30, 2011 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2012	\$1,329,965	\$453,576	\$1,783,541
2013	672,623	339,270	1,011,893
2014	734,067	317,873	1,051,940
2015	754,067	295,112	1,049,179
2016	779,067	270,800	1,049,867
2017 – 2021	4,145,298	1,090,234	5,235,532
2022 – 2026	1,813,302	303,114	2,116,416
2027	625,000	17,406	642,406
Total	<u>\$10,853,389</u>	<u>\$3,087,385</u>	<u>\$13,940,774</u>

15. PAYMENTS IN LIEU OF TAXES

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

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public districts within the boundaries of Defiance, Fulton, Henry, Lucas, Wood, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$73,571. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

B. Northern Buckeye Education Council

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

C. Four County Career Center

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

17. RELATED ORGANIZATION

Archbold Community Library

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

18. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$1,130,895. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

18. GROUP PURCHASING POOLS – (Continued)

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$1,200 to the WCGRP to cover the costs of administering the program.

19. SET-ASIDE CALCULATIONS

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

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

	Textbooks	Capital Acquisition	Totals
Set-Aside Reserve Balance as of June 30, 2010			
Current Year Set-aside Requirement	\$193,871	\$193,871	\$387,742
Current Year Qualifying Disbursements	(204,521)		(204,521)
Excess Qualified Disbursements from Prior Years	(814,617)		
Current Year Offsets		(400,940)	(400,940)
Set-aside Cash Balance as of June 30, 2011	(\$825,267)	(\$207,069)	(\$1,032,336)
Set-aside Amounts Carried Forward to Fiscal Year 2012	(\$825,267)		(\$825,267)

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

20. CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

20. CONTINGENCIES – (Continued)

B. Litigation

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

21. CONTRACTUAL COMMITMENTS

As of June 30, 2011, the District had the following contractual purchase commitment for the wind turbine construction project:

Company	Amount Remaining
Marous Brother's Construction, Inc.	\$1,853,750

22. RESTATEMENT OF FUND BALANCES

For fiscal year 2011, the District modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

The restatement due to the implementation of GASB Statement No. 54 had the following effect of fund balance of the General Fund and nonmajor funds of the District as they were previously reported.

	General Fund	Other Governmental Funds
Fund Balance at June 30, 2010	\$3,880,309	\$550,141
Change in Fund Structure	33,369	(33,369)
Restated Fund Balance at June 30, 2010	\$3,913,678	\$516,772

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

23. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Nonspendable for:				
Materials and Supplies			\$21,277	\$21,277
Restricted for:				
Regular Instruction			4,075	4,075
Athletics			79,280	79,280
Food Service Operations			63,920	63,920
Debt Retirement		\$2,904,222		2,904,222
Wind Turbine Project			558,778	558,778
Permanent Improvements			341,307	341,307
Total Restricted		2,904,222	1,047,360	3,951,582
Assigned for:				
School Supplies	\$389			389
Principal Funds	32,151			32,151
Total Assigned	32,540			32,540
Unassigned (Deficit)	4,054,965		(9,234)	4,045,731
Total Fund Balance	<u>\$4,087,505</u>	<u>\$2,904,222</u>	<u>\$1,059,403</u>	<u>\$8,051,130</u>

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program - Cash Assistance	10.553	\$16,846	\$16,846
National School Lunch Program	10.555		
Cash Assistance		159,971	159,971
Non- Cash Assistance (Food Distribution)		82,710	82,710
Total National School Lunch Program		<u>242,681</u>	<u>242,681</u>
Total U.S. Department of Agriculture		<u>259,527</u>	<u>259,527</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
<u>Title I Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	125,190	125,190
ARRA - Title I Grants to Local Educational Agencies	84.389	67,394	67,444
Total Title I Cluster		<u>192,584</u>	<u>192,634</u>
ARRA - Special Education Grants to States	84.391	93,073	93,173
Title II-D Technology Grant	84.318	405	405
Improving Teacher Quality State Grants	84.367	29,978	31,011
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	227,764	220,467
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants	84.395	17,948	17,948
Total U.S. Department of Education		<u>561,752</u>	<u>555,638</u>
U.S. DEPARTMENT OF ENERGY			
<i>Passed Through Ohio Department of Development:</i>			
ARRA - State Energy Program	81.041	<u>20,000</u>	<u>20,000</u>
Total Federal Awards Receipts and Expenditures		<u>\$841,279</u>	<u>\$835,165</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Archbold Area Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 7, 2012, wherein we noted the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

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 matter we must report under *Government Auditing Standards*.

We noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 7, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 7, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Archbold Area Local School District, Fulton County, 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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. 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.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these 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 these requirements.

In our opinion, the Archbold Area Local School District, Fulton County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

We noted a matter involving federal compliance not requiring inclusion in this report, we reported to the District's management in a separate letter dated March 7, 2012.

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



Dave Yost
Auditor of State

March 7, 2012

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on April 18, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 7, 2012

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Dave Yost • Auditor of State

ARCHBOLD AREA LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 22, 2012**