



Dave Yost • Auditor of State

OHIO AUDITOR OF STATE **KEITH FABER**



February 5, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY
JUNE 30, 2018**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	21
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	24
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	25
Statement of Fiduciary Net Position Fiduciary Funds.....	26
Statement of Changes in Fiduciary Net Position Fiduciary Fund.....	27
Notes to the Basic Financial Statements.....	29

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY
JUNE 30, 2018**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE	
Schedules of Required Supplementary Information:		
Schedule of the District's Proportionate Share of the Net Pension Liability –		
School Employees Retirement System (SERS) of Ohio	74	
School Teachers Retirement System of (STRS) Ohio	75	
Schedule of District Pension Contributions –		
School Employees Retirement System (SERS) of Ohio.....	76	
School Teachers Retirement System (STRS) of Ohio.....	77	
Schedule of the District's Proportionate Share of the Net OPEB Liability –		
School Employees Retirement System (SERS) of Ohio	78	
School Teachers Retirement System of (STRS) Ohio	79	
Schedule of District OPEB Contributions –		
School Employees Retirement System (SERS) of Ohio.....	80	
School Teachers Retirement System (STRS) of Ohio.....	81	
Notes to Required Supplementary Information.....	82	
Schedule of Expenditures of Federal Awards	85	
Notes to the Schedule of Expenditures of Federal Awards.....	86	
Independent Auditor's Report on Internal Control Over		
Financial Reporting and on Compliance and Other Matters		
Required by <i>Government Auditing Standards</i>		87
Independent Auditor's Report on Compliance with Requirements		
Applicable to Each Major Federal Program and on Internal Control Over		
Compliance Required by the Uniform Guidance.....		89
Schedule of Findings.....	91	
Prepared by Management:		
Summary Schedule of Prior Audit Findings	92	



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2018, and the

respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

January 10, 2019

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

The management's discussion and analysis of the Archbold Area Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position of governmental activities increased \$6,932,174 from fiscal year 2017's net position, as restated.
- General revenues accounted for \$13,119,801 in revenue or 83.63% of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$2,568,741 or 16.37% of total revenues of \$15,688,542.
- The District had \$8,756,368 in expenses related to governmental activities; \$2,568,741 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions. General revenues supporting governmental activities (primarily property taxes and unrestricted grants and entitlements) of \$13,119,801 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$12,948,931 in revenues and other financing sources and \$12,974,706 in expenditures and other financing uses. During fiscal year 2018, the general fund's fund balance decreased from \$4,374,768 to \$4,348,993.
- The bond retirement fund had \$1,272,224 in revenues and other financing sources and \$1,316,370 in expenditures. During fiscal year 2018, the bond retirement fund's fund balance decreased from \$1,899,228 to \$1,855,082.

Using these Basic Financial Statements

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

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are reported as major funds.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during fiscal year 2018?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net position at June 30, 2018 and June 30, 2017. Net position at June 30, 2017 has been restated as described in Note 3.A.

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

	Net Position	
	Governmental	(Restated) Governmental
	Activities	Activities
	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current and other assets	\$ 14,801,323	\$ 14,891,576
Capital assets, net	<u>14,613,937</u>	<u>15,184,572</u>
Total assets	<u>29,415,260</u>	<u>30,076,148</u>
<u>Deferred Outflows of Resources</u>		
Pension	4,533,199	3,755,644
OPEB	<u>150,533</u>	<u>25,744</u>
Total deferred outflows of resources	<u>4,683,732</u>	<u>3,781,388</u>
<u>Liabilities</u>		
Current liabilities	1,792,028	1,575,765
Long-term liabilities:		
Due within one year	846,970	904,018
Due in more than one year:		
Net pension liability	15,180,643	20,927,129
Net OPEB liability	3,317,629	4,168,582
Other amounts	<u>5,350,772</u>	<u>6,610,584</u>
Total liabilities	<u>26,488,042</u>	<u>34,186,078</u>
<u>Deferred Inflows of Resources</u>		
Other amounts	6,160,653	6,026,653
Pension	789,072	310,241
OPEB	<u>394,487</u>	<u>-</u>
Total deferred inflows of resources	<u>7,344,212</u>	<u>6,336,894</u>
<u>Net Position</u>		
Net investment in capital assets	9,324,088	9,173,489
Restricted	2,007,967	1,951,869
Unrestricted (deficit)	<u>(11,065,317)</u>	<u>(17,790,794)</u>
Total net position	<u>\$ 266,738</u>	<u>\$ (6,665,436)</u>

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$(2,522,598) to \$(6,665,436).

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

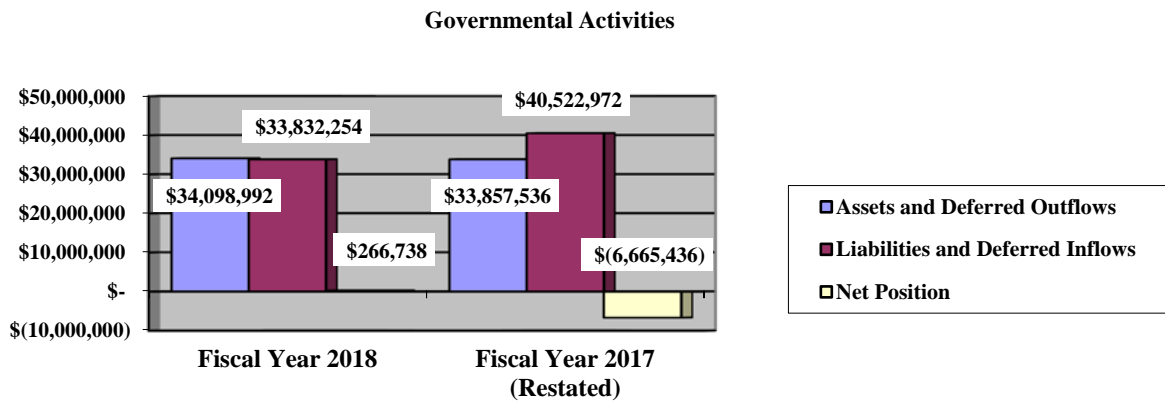
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$266,738.

As the table on page 8 illustrates, the most significant changes in net position were related to the District's net pension liability and net OPEB liability, and the related deferred inflows/outflows of resources. See Notes 10 and 11 in the notes to the basic financial statements for additional information regarding these components of net position.

At year end, capital assets represented 49.68% of total assets. Capital assets include land, land improvements, buildings and building improvements, furniture, fixtures, and equipment, and vehicles. The District's net investment in capital assets at June 30, 2018 was \$9,324,088. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,007,967, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$11,065,317.

The graph below illustrates the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2018 and June 30, 2017. The amounts at June 30, 2017 have been restated as described in Note 3.A.



The following table shows the changes in net position for governmental activities for fiscal years 2018 and 2017. Net position for 2017 has been restated as described in Note 3.A.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Change in Net Position

<u>Revenues</u>	2018	2017
Program revenues:		
Charges for services and sales	\$ 1,266,366	\$ 1,211,170
Operating grants and contributions	1,302,375	1,296,526
General revenues:		
Property taxes	6,684,031	7,063,097
Payment in lieu of taxes	2,669	-
Grants and entitlements	6,271,240	6,260,010
Investment earnings	98,646	35,953
Miscellaneous	63,215	105,345
Total revenues	15,688,542	15,972,101
<u>Expenses</u>		
Instruction:		
Regular	3,765,983	7,465,125
Special	1,039,614	1,530,102
Vocational	58,159	127,830
Other	190,008	120,197
Support services:		
Pupil	559,987	1,035,212
Instructional staff	177,195	398,290
Board of education	53,702	33,273
Administration	297,241	822,965
Fiscal	211,843	358,366
Operations and maintenance	876,678	1,606,949
Pupil transportation	292,630	568,015
Central	102,625	201,513
Operation of non-instructional services	317,470	485,310
Extracurricular activities	632,883	913,273
Interest and fiscal charges	180,350	183,873
Total expenses	8,756,368	15,850,293
Change in net position	6,932,174	121,808
Net position at beginning of year (restated)	(6,665,436)	N/A
Net position at end of year	\$ 266,738	\$ (6,665,436)

Governmental Activities

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$25,744 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$547,761.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 8,756,368
Negative OPEB expense under GASB 75	547,761
2018 contractually required contributions	<u>33,494</u>
Adjusted 2018 program expenses	9,337,623
Total 2017 program expenses under GASB 45	<u>15,850,293</u>
Decrease in program expenses not related to OPEB	<u>\$ (6,512,670)</u>

Net position of the District's governmental activities increased \$6,932,174. This increase is primary a result of a decrease in expenditures, Total governmental expenses of \$8,756,368 were offset by program revenues of \$2,568,741 and general revenues of \$13,119,801. Program revenues supported 29.34% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 82.58% of total governmental revenue. Total revenues decreased \$283,559 (1.78%) which is primarily due to a slight decline in property tax collections.

Expenses of the governmental activities decreased \$7,093,925 or 44.76%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported \$(4,979,654) in pension expense and \$(547,761) in OPEB expense mainly due to these benefit changes.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2018 and 2017. That is, it identifies the cost of these services supported by tax revenues, unrestricted State grants and entitlements, and other general revenues of the District.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

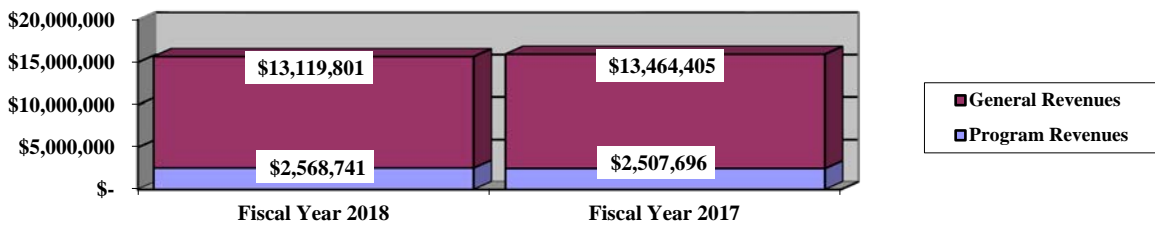
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

	Governmental Activities			
	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program expenses:				
Instruction:				
Regular	\$ 3,765,983	\$ 2,964,699	\$ 7,465,125	\$ 6,770,706
Special	1,039,614	570,578	1,530,102	967,038
Vocational	58,159	26,785	127,830	97,349
Other	190,008	59,410	120,197	26,560
Support services:				
Pupil	559,987	331,099	1,035,212	805,693
Instructional staff	177,195	154,665	398,290	373,532
Board of education	53,702	53,702	33,273	33,273
Administration	297,241	288,752	822,965	822,965
Fiscal	211,843	211,843	358,366	358,366
Operations and maintenance	876,678	868,117	1,606,949	1,603,513
Pupil transportation	292,630	291,352	568,015	568,015
Central	102,625	97,225	201,513	196,113
Operation of non-instructional services	317,470	(167,833)	485,310	2,085
Extracurricular activities	632,883	256,883	913,273	533,516
Interest and fiscal charges	180,350	180,350	183,873	183,873
Total expenses	\$ 8,756,368	\$ 6,187,627	\$ 15,850,293	\$ 13,342,597

The dependence upon taxes and other general revenues for governmental activities is apparent, as 71.66% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 70.66%. The District's taxpayers and grants and entitlements not restricted to specific programs are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenues for fiscal years 2018 and 2017.

Governmental Activities - General and Program Revenues



**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The District's Funds

The District's governmental funds reported a combined fund balance of \$6,796,268, a decrease from last year's total balance of \$7,265,066. The following table indicates the fund balance and the total change in fund balance as of June 30, 2018 and June 30, 2017.

	Fund Balance <u>June 30, 2018</u>	Fund Balance <u>June 30, 2017</u>	<u>Change</u>
General fund	\$ 4,348,993	\$ 4,374,768	\$ (25,775)
Bond retirement	1,855,082	1,899,228	(44,146)
Nonmajor governmental funds	<u>592,193</u>	<u>991,070</u>	<u>(398,877)</u>
Total	<u>\$ 6,796,268</u>	<u>\$ 7,265,066</u>	<u>\$ (468,798)</u>

General Fund

The District's general fund balance decreased \$25,775 or 0.59%.

The table that follows assists in illustrating the revenues of the general fund during fiscal years 2018 and 2017.

	2018 <u>Amount</u>	2017 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Property taxes	\$ 5,809,888	\$ 5,864,960	(0.94) %
Tuition and fees	750,981	688,922	9.01 %
Investment earnings	91,139	31,786	186.73 %
Extracurricular activities	56,685	59,087	(4.07) %
Intergovernmental	6,173,343	6,194,569	(0.34) %
Other revenues	<u>56,735</u>	<u>134,595</u>	<u>(57.85) %</u>
Total	<u>\$ 12,938,771</u>	<u>\$ 12,973,919</u>	<u>(0.27) %</u>

Overall, the change in general fund revenues was minimal. The two largest revenue sources for the general fund, property taxes and intergovernmental, both decreased slightly in fiscal year 2018. The most significant increases in revenue came from tuition and fees and investment earnings. Tuition and fees increased due to additional open enrollment students attending classes in the District. The increase in investment earnings is partially due to fluctuations in the fair value of the District's investments, as well as slightly higher interest rates in 2018.

The table that follows assists in illustrating the expenditures of the general fund during fiscal years 2018 and 2017.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	2018 <u>Amount</u>	2017 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 8,465,984	\$ 7,942,871	6.59 %
Support services	3,892,495	3,898,242	(0.15) %
Extracurricular activities	503,295	497,599	1.14 %
Facilities acquisition and construction	<u>3,359</u>	<u>1,367</u>	<u>145.72</u> %
Total	<u>\$ 12,865,133</u>	<u>\$ 12,340,079</u>	<u>4.25</u> %

The overall increase in general fund expenditures is primarily due to higher wages and benefits costs, particularly for the District's certified teaching staff.

Bond Retirement Fund

The bond retirement fund is reported as a major fund, and it is used to account for property taxes and other revenues that are restricted for principal and interest payments on the District's long-term debt obligations. The bond retirement fund had \$1,272,224 in revenues and other financing sources and \$1,316,370 in expenditures. During fiscal year 2018, the bond retirement fund's fund balance decreased from \$1,899,228 to \$1,855,082.

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.

For the general fund, both the original and final budgeted revenues and other financing sources amounted to \$12,707,734. Actual revenues and other financing sources were \$12,853,565, which is \$145,831 (1.15%) more than the final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$13,531,204 were increased slightly to \$13,740,067 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled \$12,949,472, which is \$790,595 (5.75%) less than the final budgeted amounts. This variance is a primarily due to the District's conservative "worst case scenario" approach to budgeting. 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 2018, the District had \$14,613,937 invested in land, land improvements, buildings and building improvements, furniture, fixtures, and equipment, and vehicles. The following table shows June 30, 2018 balances compared to those at June 30, 2017.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2018	2017
Land	\$ 722,753	\$ 713,221
Construction in progress	-	82,786
Land improvements	772,184	869,042
Buildings and building improvements	10,043,398	10,513,428
Furniture, fixtures and equipment	2,521,471	2,560,966
Vehicles	554,131	445,129
Total	\$ 14,613,937	\$ 15,184,572

The overall decrease in capital assets is due to depreciation expense of \$870,384 and net capital asset disposals of \$58,784 exceeding capital asset additions of \$358,533. See Note 8 in the notes to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2018, the District's long-term obligations outstanding consisted of general obligation bonds, compensated absences, net pension liability, and net OPEB liability in the total amount of \$24,696,014. Of this total, \$846,970 is due within one year and \$23,849,044 is due in more than one year. The following table summarizes the long-term obligations outstanding at June 30, 2018 and June 30, 2017.

	Governmental Activities	
	2018	2017
General obligation bonds	\$ 5,246,129	\$ 6,423,935
Compensated absences	951,613	1,090,667
Net pension liability	15,180,643	20,927,129
Net OPEB liability	3,317,629	4,168,582
Total	\$ 24,696,014	\$ 32,610,313

See Note 13 in the notes to the basic financial statements for additional information on the District's long-term obligations.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Current Issues

Archbold is a small rural community of approximately 4,300 people in Northwest Ohio and has a number of small businesses and several industrial manufacturing companies. Sauder Woodworking is located in the District. Sauder Woodworking is the country's leading manufacturer of ready-to-assemble furniture. In March 2014, Ikea U.S. awarded Sauder Woodworking a new five-year supplier contract to manufacture bedroom, office, entertainment and children's storage furniture currently sold in Ikea stores. Ikea also renewed Sauder Woodworking's contract to manufacture kitchen cabinets for another five years. Con Agra Foods, located in Archbold, announced in March 2016, a plant expansion, adding 100 jobs. The future economy in manufacturing is very positive for the Village and the District. Archbold also has a strong agricultural base and this plays an important role in the area.

Archbold Local School District has become a capped district in state funding as a result of the funding formula in the last several budgets. A capped district is limited to increases as a result of the funding formula. Essentially, the District's funding is reduced from the state funding calculation. State funding in HB 64 further decreases revenues to districts held harmless from the Tangible Personal Property reimbursement guarantee. Archbold Local School District is affected significantly from this decrease in funding and will continue to monitor any impact in this portion of future biennial budgets.

Rover Pipeline runs thru the Archbold School District. Rover submitted a capital cost summary to the Ohio Department of Taxation during the Summer of 2018. Ohio Department of Taxation released tax values to the County Auditors October 1, 2018. Tax collection could begin as early as 2019. Several unknowns yet to be determined are if reassessment will be filed and how the revenue will impact the school foundation funding to the district. At this time, additional revenue will not be forecasted by the district. The information will be disclosed in the forecast assumptions.

Districts and schools report information for the Ohio School Report Cards on specific marks of performance, called measures, within broad categories called components. They receive grades for up to ten measures and six components. The district overview grade for 2018 was a B. The district uses the report card tool as a guide to the level of instruction delivered to district students, not necessarily the true outcome of the instruction delivered to district students.

Archbold Local School District's general fund cash reserves increased during fiscal year 2018. The increase represents the conservatism of the district and is important in the future to the district, especially due to state budgets and the continual change in the funding formula support of public schools.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Christine Ziegler, Treasurer, Archbold Area Local School District, 600 Lafayette Street, Archbold, Ohio 43502.

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 7,715,317
Receivables:	
Property taxes	6,905,579
Payment in lieu of taxes	8,106
Accounts	2,870
Intergovernmental	128,513
Accrued interest	8,206
Prepayments	15,822
Materials and supplies inventory.	16,910
Capital assets:	
Nondepreciable capital assets	722,753
Depreciable capital assets, net.	13,891,184
Capital assets, net	14,613,937
Total assets.	29,415,260
Deferred outflows of resources:	
Pension	4,533,199
OPEB.	150,533
Total deferred outflows of resources	4,683,732
Liabilities:	
Accounts payable.	63,560
Contracts payable.	179,378
Accrued wages and benefits payable	1,177,127
Matured compensated absences payable	8,346
Pension and postemployment benefits payable	305,399
Intergovernmental payable.	39,709
Accrued interest payable.	18,509
Long-term liabilities:	
Due within one year	846,970
Due in more than one year:	
Net pension liability (See Note 10).	15,180,643
Net OPEB liability (See Note 11).	3,317,629
Other amounts due in more than one year.	5,350,772
Total liabilities	26,488,042
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	6,152,547
Payment in lieu of taxes levied for the next fiscal year	8,106
Pension	789,072
OPEB.	394,487
Total deferred inflows of resources	7,344,212
Net position:	
Net investment in capital assets	9,324,088
Restricted for:	
Capital projects.	3,781
Debt service.	1,703,631
Locally funded programs	35,339
Federally funded programs	9,975
Student activities	216,517
Food service.	38,724
Unrestricted (deficit)	(11,065,317)
Total net position.	\$ 266,738

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 3,765,983	\$ 750,981	\$ 50,303	\$ (2,964,699)
Special	1,039,614	-	469,036	(570,578)
Vocational	58,159	-	31,374	(26,785)
Other	190,008	-	130,598	(59,410)
Support services:				
Pupil	559,987	-	228,888	(331,099)
Instructional staff	177,195	-	22,530	(154,665)
Board of education	53,702	-	-	(53,702)
Administration	297,241	-	8,489	(288,752)
Fiscal	211,843	-	-	(211,843)
Operations and maintenance	876,678	8,561	-	(868,117)
Pupil transportation	292,630	-	1,278	(291,352)
Central	102,625	-	5,400	(97,225)
Operation of non-instructional services:				
Food service operations	290,100	261,737	212,390	184,027
Other non-instructional services	27,370	-	11,176	(16,194)
Extracurricular activities	632,883	245,087	130,913	(256,883)
Interest and fiscal charges	180,350	-	-	(180,350)
Total governmental activities	\$ 8,756,368	\$ 1,266,366	\$ 1,302,375	(6,187,627)
 General revenues:				
Property taxes levied for:				
General purposes				5,823,337
Debt service				530,771
Capital outlay				329,923
Payment in lieu of taxes				2,669
Grants and entitlements not restricted to specific programs				6,271,240
Investment earnings				98,646
Miscellaneous				63,215
Total general revenues				13,119,801
Change in net position				6,932,174
Net position at beginning of year, restated				(6,665,436)
Net position at end of year				\$ 266,738

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 5,124,637	\$ 1,798,777	\$ 791,903	\$ 7,715,317
Receivables:				
Property taxes	5,990,341	547,102	368,136	6,905,579
Payment in lieu of taxes	8,106	-	-	8,106
Accounts	2,870	-	-	2,870
Intergovernmental	74,203	-	54,310	128,513
Accrued interest	8,206	-	-	8,206
Prepayments.	15,422	-	400	15,822
Materials and supplies inventory	-	-	16,910	16,910
Due from other funds	5,233	-	-	5,233
Total assets	<u>\$ 11,229,018</u>	<u>\$ 2,345,879</u>	<u>\$ 1,231,659</u>	<u>\$ 14,806,556</u>
Liabilities:				
Accounts payable	\$ 10,042	\$ -	\$ 53,518	\$ 63,560
Contracts payable.	-	-	179,378	179,378
Accrued wages and benefits payable	1,117,118	-	60,009	1,177,127
Matured compensated absences payable.	8,346	-	-	8,346
Pension and postemployment benefits payable	294,126	-	11,273	305,399
Intergovernmental payable.	39,000	-	709	39,709
Due to other funds.	-	-	5,233	5,233
Total liabilities	<u>1,468,632</u>	<u>-</u>	<u>310,120</u>	<u>1,778,752</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	5,338,824	488,081	325,642	6,152,547
Payment in lieu of taxes levied for the next fiscal year.	8,106	-	-	8,106
Delinquent property tax revenue not available	30,156	2,716	1,955	34,827
Intergovernmental revenue not available	31,616	-	1,749	33,365
Accrued interest not available.	2,691	-	-	2,691
Total deferred inflows of resources.	<u>5,411,393</u>	<u>490,797</u>	<u>329,346</u>	<u>6,231,536</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	16,910	16,910
Prepayments	15,422	-	400	15,822
Restricted:				
Debt service	-	1,855,082	-	1,855,082
Capital improvements	-	-	1,826	1,826
Food service operations	-	-	53,217	53,217
Extracurricular activities	-	-	216,517	216,517
Other purposes	-	-	43,565	43,565
Committed:				
Capital improvements	-	-	280,408	280,408
Assigned:				
Student instruction	3,335	-	-	3,335
Student and staff support.	37,901	-	-	37,901
Extracurricular activities	16,475	-	-	16,475
Subsequent year's appropriations	1,150,765	-	-	1,150,765
School supplies	5,458	-	-	5,458
Unassigned (deficit)	3,119,637	-	(20,650)	3,098,987
Total fund balances	<u>4,348,993</u>	<u>1,855,082</u>	<u>592,193</u>	<u>6,796,268</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,229,018</u>	<u>\$ 2,345,879</u>	<u>\$ 1,231,659</u>	<u>\$ 14,806,556</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total governmental fund balances		\$	6,796,268
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			14,613,937
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	34,827	
Intergovernmental receivable		33,365	
Accrued interest receivable		2,691	
Total		70,883	70,883
Unamortized premiums on bonds issued are not recognized in the funds.			(178,546)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(18,509)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.			
Deferred outflows of resources - pension		4,533,199	
Deferred inflows of resources - pension		(789,072)	
Net pension liability		(15,180,643)	
Total		(11,436,516)	(11,436,516)
The net OPEB liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.			
Deferred outflows of resources - OPEB		150,533	
Deferred inflows of resources - OPEB		(394,487)	
Net OPEB liability		(3,317,629)	
Total		(3,561,583)	(3,561,583)
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the funds.			
General obligation bonds payable		(5,067,583)	
Compensated absences payable		(951,613)	
Total		(6,019,196)	(6,019,196)
Net position of governmental activities		\$	266,738

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 5,809,888	\$ 529,569	\$ 330,220	\$ 6,669,677
Payment in lieu of taxes	2,669	-	-	2,669
Tuition	686,176	-	-	686,176
Earnings on investments	91,139	-	4,939	96,078
Charges for services	-	-	261,737	261,737
Extracurricular	56,685	-	188,402	245,087
Classroom materials and fees	64,805	-	-	64,805
Rental income	8,561	-	-	8,561
Contributions and donations	1,412	-	-	1,412
Other local revenues	44,093	-	187,700	231,793
Intergovernmental - state	6,100,249	358,415	47,593	6,506,257
Intergovernmental - federal	73,094	-	784,245	857,339
Total revenues	<u>12,938,771</u>	<u>887,984</u>	<u>1,804,836</u>	<u>15,631,591</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,813,951	-	132,313	6,946,264
Special	1,512,236	-	162,577	1,674,813
Vocational	90,383	-	-	90,383
Other	49,414	-	144,587	194,001
Support services:				
Pupil	749,045	-	229,006	978,051
Instructional staff	366,547	-	16,917	383,464
Board of education	58,455	-	61	58,516
Administration	780,328	-	2,261	782,589
Fiscal	320,983	11,536	7,571	340,090
Operations and maintenance	968,401	-	35,653	1,004,054
Pupil transportation	467,800	-	180,802	648,602
Central	180,936	-	5,400	186,336
Operation of non-instructional services:				
Food service operations	-	-	447,570	447,570
Other non-instructional services	-	-	27,370	27,370
Extracurricular activities	503,295	-	326,031	829,326
Facilities acquisition and construction	3,359	-	176,114	179,473
Debt service:				
Principal retirement	-	1,162,260	-	1,162,260
Interest and fiscal charges	-	142,574	34,813	177,387
Total expenditures	<u>12,865,133</u>	<u>1,316,370</u>	<u>1,929,046</u>	<u>16,110,549</u>
Excess (deficiency) of revenues over (under) expenditures	<u>73,638</u>	<u>(428,386)</u>	<u>(124,210)</u>	<u>(478,958)</u>
Other financing sources (uses):				
Proceeds from sale of assets	10,160	-	-	10,160
Transfers in	-	384,240	60,333	444,573
Transfers (out)	(109,573)	-	(335,000)	(444,573)
Total other financing sources (uses)	<u>(99,413)</u>	<u>384,240</u>	<u>(274,667)</u>	<u>10,160</u>
Net change in fund balances	(25,775)	(44,146)	(398,877)	(468,798)
Fund balances at beginning of year	4,374,768	1,899,228	991,070	7,265,066
Fund balances at end of year	<u>\$ 4,348,993</u>	<u>\$ 1,855,082</u>	<u>\$ 592,193</u>	<u>\$ 6,796,268</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds	\$	(468,798)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 358,533	
Current year depreciation	(870,384)	
Total		(511,851)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) decreased net position.		
		(58,784)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	14,354	
Intergovernmental	29,746	
Earnings on investments	2,691	
Total		46,791
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,162,260
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported in the statement of activities:		
Increase in accrued interest payable	(18,509)	
Accreted interest on capital appreciation bonds	(19,380)	
Amortization of bond premiums	34,926	
Total		(2,963)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows of resources.		
		1,065,556
Except for amounts reported as deferred inflows/outflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.		
		4,979,654
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows of resources.		
		33,494
Except for amounts reported as deferred inflows/outflows of resources, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		547,761
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		139,054
Change in net position of governmental activities	\$	6,932,174

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 5,800,000	\$ 5,800,000	\$ 5,729,119	\$ (70,881)
Payment in lieu of taxes	20,000	20,000	28,066	8,066
Tuition	670,000	670,000	687,209	17,209
Earnings on investments	67,600	67,600	107,522	39,922
Classroom materials and fees	49,400	49,400	51,877	2,477
Rental income	5,000	5,000	6,636	1,636
Contributions and donations	10,000	10,000	1,412	(8,588)
Contract services	5,000	5,000	-	(5,000)
Other local revenues	15,000	15,000	13,629	(1,371)
Intergovernmental - state	5,939,066	5,939,066	6,092,451	153,385
Intergovernmental - federal	60,000	60,000	73,094	13,094
Total revenues	<u>12,641,066</u>	<u>12,641,066</u>	<u>12,791,015</u>	<u>149,949</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,835,247	6,941,757	6,703,488	238,269
Special	1,657,569	1,683,398	1,503,198	180,200
Vocational	96,070	97,567	91,222	6,345
Other	50,352	51,137	48,146	2,991
Support services:				
Pupil	808,016	820,607	749,528	71,079
Instructional staff	382,539	388,500	367,919	20,581
Board of education	68,682	69,752	59,576	10,176
Administration	823,581	836,414	801,829	34,585
Fiscal	354,226	359,746	334,662	25,084
Operations and maintenance	1,084,470	1,101,369	1,017,440	83,929
Pupil transportation	562,102	570,861	492,263	78,598
Central	195,551	198,598	185,591	13,007
Extracurricular activities	473,040	480,411	466,678	13,733
Facilities acquisition and construction	12,259	12,450	3,359	9,091
Total expenditures	<u>13,403,704</u>	<u>13,612,567</u>	<u>12,824,899</u>	<u>787,668</u>
Excess of expenditures over revenues	<u>(762,638)</u>	<u>(971,501)</u>	<u>(33,884)</u>	<u>937,617</u>
Other financing sources (uses):				
Refund of prior year's expenditures	35,000	35,000	30,222	(4,778)
Transfers in	1,168	1,168	1,168	-
Transfers (out)	(120,000)	(120,000)	(109,573)	10,427
Advances in	20,500	20,500	21,000	500
Advances (out)	(7,500)	(7,500)	(15,000)	(7,500)
Proceeds from sale of assets	10,000	10,000	10,160	160
Total other financing sources (uses)	<u>(60,832)</u>	<u>(60,832)</u>	<u>(62,023)</u>	<u>(1,191)</u>
Net change in fund balance	(823,470)	(1,032,333)	(95,907)	936,426
Fund balance at beginning of year	5,140,023	5,140,023	5,140,023	-
Prior year encumbrances appropriated	29,533	29,533	29,533	-
Fund balance at end of year	<u>\$ 4,346,086</u>	<u>\$ 4,137,223</u>	<u>\$ 5,073,649</u>	<u>\$ 936,426</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 49,733	\$ 92,943
Receivables:		
Accounts	-	20
Total assets.	<u>49,733</u>	<u>\$ 92,963</u>
Liabilities:		
Accounts payable.		\$ 244
Undistributed monies.		92,719
Total liabilities		<u>\$ 92,963</u>
Net position:		
Held in trust for scholarships	<u>49,733</u>	
Total net position	<u>\$ 49,733</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 351
Deductions:	
Scholarships awarded	1,406
Change in net position	(1,055)
Net position at beginning of year.	50,788
Net position at end of year	\$ 49,733

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF THE DISTRICT

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 staffed by 53 classified employees and 85 certified teaching personnel, who provide services to 1,274 students and other community members. The board oversees the operations of the District's four instructional/support facilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. 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 Health Plan, Northwest Division of Optimal Health Initiatives (OHI) Program, and the OHI Workers' Compensation Group Rating Plan.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

JOINTLY GOVERNED ORGANIZATIONS

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 \$56,593. Financial information can be obtained from Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

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, Lucas, Wood 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, Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

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, Connie Nicely, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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, Amy Wendt, Fiscal Officer, at 205 Stryker Street, Archbold, Ohio 43502.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

PUBLIC ENTITY RISK POOLS

Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan, a Northwest Division of the Optimal Health Initiative Consortium (OHI), is a public entity shared risk pool consisting of educational entities throughout the state. The Pool is governed by OHI and its participating members. The District contributed a total of \$1,452,577 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, Ohio 45242.

Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under §4123.29 of the Ohio Revised Code. The Ohio Health Initiatives (OHI) Workers' Compensation Group Rating Plan (WCGRP) was established through the Ohio Health Initiatives (OHI) as a group purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. The Optimal Health Initiatives has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

Optimal Health Initiatives has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$0 to WCGRP to cover the costs of administering the program.

B. Basis of Presentation

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

Government-wide Financial Statements - The statement of net position 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 position 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Fund Financial Statements - During the fiscal 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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. may or must be used. The difference between governmental fund assets plus deferred outflows of resources less liabilities and deferred inflows of resources 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 position and changes in net position. 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

D. 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 position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

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.

E. 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 inflows of resources and in the presentation of expenses versus expenditures.

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension, and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension OPEB are explained in Note 10 and Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payment in lieu of taxes, pension, OPEB, and unavailable revenue. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental grants and entitlements, and accrued interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position (see Note 10 and Note 11).

Pensions/Other Postemployment Benefits (OPEB) - For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

F. 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 the general fund and food service fund and at the fund level for all other funds. 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.

G. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2018, investments consisted nonnegotiable and negotiable certificates of deposit, federal agency securities, commercial paper and U.S. Treasury obligations money market fund. Nonnegotiable certificates of deposits are reported at cost. Investments in negotiable certificates of deposits, federal agency securities, commercial paper and U.S. Treasury obligations money market mutual fund are reported at fair value which is based on quoted market prices.

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 general fund during fiscal year 2018 was \$91,139 for the general fund, which includes \$28,584 assigned from other District funds.

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

H. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

I. 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.

J. 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 position 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 acquisition values as of the date received. The District's capitalization threshold is \$3,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of capital assets is also not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15 - 30 years
Buildings and building improvements	45 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

K. Compensated Absences

The District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

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

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

L. 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 and OPEB 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.

M. Net Position

Net position represents the difference between all other elements on the statement of net position. Net investment in capital assets 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 position is 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. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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.

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.

O. 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 “due to/from other funds.” Interfund balances within governmental activities are eliminated on the government wide statement of net position.

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

P. Estimates

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

Q. 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 fiscal year 2018.

R. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

S. Other Local Revenues

Other Governmental other local revenue primarily consists of donations to the District.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 11 to the basic financial statements, and added required supplementary information which is presented on pages 72-81.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ (2,522,598)
Deferred outflows - payments subsequent to measurement date	25,744
Net OPEB liability	(4,168,582)
Restated net position at July 1, 2017	\$ (6,665,436)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

B. Deficit Fund Balances

Fund balances at June 30, 2018 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title I	\$ 20,627
Improving teacher quality	23

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment.

Interim monies held on 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 securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio 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 only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Certain commercial paper and bankers acceptances for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At June 30, 2018, the District had \$575 in undeposited cash on hand, which is included as part of “equity in pooled cash and cash equivalents”.

B. Investments

As of June 30, 2018, the District had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities			Percent of Total
		12 months or less	13 to 24 months	Greater Than 24 Months	
Fair value:					
FHLB Notes	\$ 231,715	\$ -	\$ -	\$ 231,715	5.56
FHLMC Notes	233,758	-	-	233,758	5.61
FNMA Notes	175,234	-	-	175,234	4.20
Negotiable CDs	1,457,954	695,963	594,374	167,617	34.98
Commercial paper	2,057,609	2,057,609	-	-	49.36
Money Market Mutual Fund	<u>11,931</u>	<u>11,931</u>	-	-	<u>0.29</u>
Total	<u>\$ 4,168,201</u>	<u>\$ 2,765,503</u>	<u>\$ 594,374</u>	<u>\$ 808,324</u>	<u>100.00</u>

The District’s investments measured as fair value are valued using quoted market prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs). The weighted average maturity of investments is 0.85 years.

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District’s investments in the federal agency securities were rated AA+ and Aaa, and the investments in commercial paper were rated A-1 and P-1 by Standard & Poor’s and Moody’s Investor Services, respectively. The negotiable CDs were not rated. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 federal agency securities, negotiable CDs and commercial paper 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 credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer.

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,689,217
Investments	4,168,201
Cash on hand	<u>575</u>
Total	<u>\$ 7,857,993</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,715,317
Private-purpose trust funds	49,733
Agency funds	<u>92,943</u>
Total	<u>\$ 7,857,993</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the fiscal year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	Bond retirement fund	\$ 49,240
General fund	Nonmajor governmental funds	60,333
Nonmajor governmental funds	Bond retirement fund	335,000

Interfund transfers represent the use of unrestricted revenues collected in the general fund that are used to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers nonmajor governmental funds included \$335,000 from the permanent improvement fund to the bond retirement fund which was made to support a debt service payment on the Ohio Development Services Agency loan. Interfund transfers between governmental funds are eliminated on the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund balances at June 30, 2018, as reported on the fund statements, consist of \$5,233 due to the general fund from various nonmajor governmental funds. The primary purpose of the interfund balances is to cover negative cash balances at year-end. These interfund balances will be repaid once the anticipated revenues are received, which is expected to be within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2018 are reported on the statement of net position.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$621,361 in the general fund, \$56,305 in the bond retirement fund, and \$40,539 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2017 was \$540,592 in the general fund, \$65,739 in the bond retirement fund, and \$67,704 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 6 - PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 211,945,470	95.29	\$ 209,930,930	95.00
Public utility personal	<u>10,466,380</u>	<u>4.71</u>	<u>11,044,270</u>	<u>5.00</u>
Total	<u>\$ 222,411,850</u>	<u>100.00</u>	<u>\$ 220,975,200</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	44.94		44.45	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018 consisted of property taxes, payment in lieu of taxes, accounts (primarily rental income, tuition and fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within one year.

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>06/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/18</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 713,221	\$ 9,532	\$ -	\$ 722,753
Construction in progress	82,786	8,550	(91,336)	-
Total capital assets, not being depreciated	<u>796,007</u>	<u>18,082</u>	<u>(91,336)</u>	<u>722,753</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,117,550	5,968	-	2,123,518
Buildings and building improvements	22,457,151	90,126	(156,375)	22,390,902
Furniture, fixtures and equipment	4,140,739	156,315	(30,958)	4,266,096
Vehicles	1,262,624	179,378	(64,519)	1,377,483
Total capital assets, being depreciated	<u>29,978,064</u>	<u>431,787</u>	<u>(251,852)</u>	<u>30,157,999</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,248,508)	(102,826)	-	(1,351,334)
Buildings and improvements	(11,943,723)	(501,372)	97,591	(12,347,504)
Furniture and equipment	(1,579,773)	(195,810)	30,958	(1,744,625)
Vehicles	(817,495)	(70,376)	64,519	(823,352)
Total accumulated depreciation	<u>(15,589,499)</u>	<u>(870,384)</u>	<u>193,068</u>	<u>(16,266,815)</u>
Governmental activities capital assets, net	<u>\$ 15,184,572</u>	<u>\$ (420,515)</u>	<u>\$ (150,120)</u>	<u>\$ 14,613,937</u>

Depreciation expense was charged to governmental activities as follows:

<u>Instruction:</u>	
Regular	\$ 573,889
Special	37,024
Vocational	28,249
<u>Support services:</u>	
Instructional staff	542
Operations and maintenance	29,511
Pupil transportation	62,931
Central	2,571
Food service operations	6,516
Extracurricular activities	<u>129,151</u>
Total depreciation expense	<u>\$ 870,384</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 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 2018, the District contracted with the Hylant Group, Ohio School Plan for property, fleet, violence and liability insurance in the amounts as follows:

Property, blanket building and personal property	\$67,363,402
Inland Marine, computer hardware/software	Included above
Inland Marine, musical instruments	Included above
Inland Marine, miscellaneous equipment	Included above
Inland Marine, audio/visual equipment	Included above
Crime, public employee dishonesty blanket bond	50,000
Crime, forgery and alteration	50,000
Crime, computer fraud	50,000
General Liability, in aggregate	5,000,000
General Liability, per occurrence	3,000,000
General Liability, products/completed operations aggregate	3,000,000
General Liability, personal and advertising injury	3,000,000
General Liability, medical payments	10,000
Employee Benefits Liability, in aggregate	5,000,000
Employee Benefits Liability, per occurrence	3,000,000
Sexual Misconduct and Molestation Liability, in aggregate	3,000,000
Sexual Misconduct and Molestation Liability, per occurrence	3,000,000
School Leaders Errors and Omissions Liability, in aggregate	5,000,000
School Leaders Errors and Omissions Liability, per occurrence	3,000,000
Violent Event Response Coverage	1,000,000
Automobile, single limit	3,000,000
Automobile, uninsured/underinsured	1,000,000
Automobile, medical payments	5,000
Umbrella Liability, in aggregate	18,000,000
Umbrella Liability, in aggregate	23,000,000

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

B. Workers' Compensation Group Rating Plan

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 9 - RISK MANAGEMENT - (Continued)

C. Employee Group Insurance Benefits

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of OHI, a self insurance pool, for insurance benefits to employees. The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

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.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

The District's contractually required contribution to SERS was \$215,960 for fiscal year 2018. Of this amount, \$17,640 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$849,596 for fiscal year 2018. Of this amount, \$144,404 is reported as pension and postemployment benefits payable.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.04791400%	0.05204740%	
Proportion of the net pension liability current measurement date	<u>0.04747050%</u>	<u>0.05196495%</u>	
Change in proportionate share	<u>-0.00044350%</u>	<u>-0.00008245%</u>	
Proportionate share of the net pension liability	\$ 2,836,258	\$ 12,344,385	\$ 15,180,643
Pension expense	\$ (105,795)	\$ (4,873,859)	\$ (4,979,654)

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 122,063	\$ 476,683	\$ 598,746
Changes of assumptions	146,666	2,699,853	2,846,519
Difference between District contributions and proportionate share of contributions/ change in proportionate share	22,378	-	22,378
District contributions subsequent to the measurement date	<u>215,960</u>	<u>849,596</u>	<u>1,065,556</u>
Total deferred outflows of resources	<u>\$ 507,067</u>	<u>\$ 4,026,132</u>	<u>\$ 4,533,199</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 99,491	\$ 99,491
Net difference between projected and actual earnings on pension plan investments	13,465	407,379	420,844
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>18,010</u>	<u>250,727</u>	<u>268,737</u>
Total deferred inflows of resources	<u>\$ 31,475</u>	<u>\$ 757,597</u>	<u>\$ 789,072</u>

\$1,065,556 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ 110,037	\$ 446,766	\$ 556,803
2020	174,685	1,000,943	1,175,628
2021	41,028	765,438	806,466
2022	<u>(66,118)</u>	<u>205,792</u>	<u>139,674</u>
Total	<u>\$ 259,632</u>	<u>\$ 2,418,939</u>	<u>\$ 2,678,571</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 3,935,988	\$ 2,836,258	\$ 1,915,009

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net pension liability	\$ 17,695,256	\$ 12,344,385	\$ 7,837,079

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$25,495.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$33,494 for fiscal year 2018. Of this amount, \$26,148 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.04860153%	0.05204274%	
Proportion of the net OPEB liability current measurement date	0.04807280%	0.05196495%	
Change in proportionate share	<u>-0.00052873%</u>	<u>-0.00007779%</u>	
Proportionate share of the net OPEB liability	\$ 1,290,148	\$ 2,027,481	\$ 3,317,629
OPEB expense	\$ 71,511	\$ (619,272)	\$ (547,761)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 117,039	\$ 117,039
District contributions subsequent to the measurement date	<u>33,494</u>	<u>-</u>	<u>33,494</u>
Total deferred outflows of resources	<u>\$ 33,494</u>	<u>\$ 117,039</u>	<u>\$ 150,533</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 3,407	\$ 86,659	\$ 90,066
Changes of assumptions	122,428	163,320	285,748
Difference between District contributions and proportionate share of contributions/change in proportionate share	<u>15,107</u>	<u>3,566</u>	<u>18,673</u>
Total deferred inflows of resources	<u>\$ 140,942</u>	<u>\$ 253,545</u>	<u>\$ 394,487</u>

\$33,494 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ (50,683)	\$ (29,973)	\$ (80,656)
2020	(50,683)	(29,973)	(80,656)
2021	(38,725)	(29,973)	(68,698)
2022	(851)	(29,972)	(30,823)
2023	-	(8,308)	(8,308)
Thereafter	<u>-</u>	<u>(8,307)</u>	<u>(8,307)</u>
Total	<u>\$ (140,942)</u>	<u>\$ (136,506)</u>	<u>\$ (277,448)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	<u>1% Decrease (2.63%)</u>	<u>Current Discount Rate (3.63%)</u>	<u>1% Increase (4.63%)</u>
District's proportionate share of the net OPEB liability	\$ 1,558,018	\$ 1,290,148	\$ 1,077,926

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 1,046,858	\$ 1,290,148	\$ 1,612,145
<i>Actuarial Assumptions - STRS</i>			

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 2,721,860	\$ 2,027,481	\$ 1,478,694
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,408,607	\$ 2,027,481	\$ 2,841,991

NOTE 12 - OTHER EMPLOYEE BENEFITS

Compensated Absences

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 13 - LONG-TERM OBLIGATIONS

- A.** During fiscal year 2018, the following changes occurred in governmental activities long-term obligations:

	Restated Balance <u>07/01/17</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>06/30/18</u>	Amount Due in <u>One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds					
Advance Refunding (Series 2014)	\$ 3,130,000	\$ -	\$ (600,000)	\$ 2,530,000	\$ 615,000
Qualified School Construction Bonds 2011	625,000	-	-	625,000	-
Advance Refunding (Series 2011)					
Current interest bonds	1,615,000	-	(180,000)	1,435,000	-
Capital appreciation bonds	29,963	-	-	29,963	29,963
Accreted interest	116,278	19,380	-	135,658	135,658
Total Series 2011	<u>1,761,241</u>	<u>19,380</u>	<u>(180,000)</u>	<u>1,600,621</u>	<u>165,621</u>
2015 Ohio Development Services					
Agency Loan	694,222	-	(382,260)	311,962	42,271
Total General Obligation Bonds	<u>6,210,463</u>	<u>19,380</u>	<u>(1,162,260)</u>	<u>5,067,583</u>	<u>822,892</u>
Compensated Absences	1,090,667	24,078	(163,132)	951,613	24,078
Net Pension Liability	20,927,129	-	(5,746,486)	15,180,643	-
Net OPEB Liability	4,168,582	-	(850,953)	3,317,629	-
Total Governmental Activities					
Long-Term Obligations	<u>\$ 32,396,841</u>	<u>\$ 43,458</u>	<u>\$ (7,922,831)</u>	<u>\$ 24,517,468</u>	<u>\$ 846,970</u>
			Add: Unamortized Premium	<u>178,546</u>	
			Total on Statement of Net Position	<u>\$ 24,696,014</u>	

- B.** Advance Refunding Bonds (Series 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 2012. 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 bond retirement fund. The source payment is derived from a current tax levy.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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>
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, 2018. The total accreted value at maturity is \$185,000. The value of the capital appreciation bonds reported at June 30, 2018 was \$165,621, including accreted interest of \$135,658. The annual accretion of interest is based on the straight-line method. The bonds are being retired through the bond retirement Fund.

- C. Qualified School Construction Bonds - 2011 - Proceeds from the bonds were used for the 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, were issued for a 15 year period, with final maturity in fiscal year 2027. The bonds are being retired through the bond retirement fund.
- D. Advance Refunding Bonds (Series 2014) - Proceeds from the bonds were used for the purpose of refunding of general obligation bonds, series 2004, 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 July 2014. The bonds consisted of \$4,315,000 in current interest serial 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 bond retirement fund. The source payment is derived from a current tax levy.

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

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2018	\$ 615,000	2.000%
2019	630,000	2.125%
2020	635,000	2.500%
2021	650,000	4.000%

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

- E. Ohio Development Services Agency Loan - On March 17, 2015, the District obtained a \$785,967 loan through the Ohio Development Services Agency to be used for energy upgrades. The loan was issued at an interest rate of 1.75 percent and with final maturity on December 1, 2024. The loan will be paid through the bond retirement fund.

The scheduled payments of principal and interest on debt outstanding at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 687,234	\$ 314,096	\$ 1,001,330
2020	863,013	139,725	1,002,738
2021	868,770	118,410	987,180
2022	889,539	90,212	979,751
2023	245,322	69,405	314,727
2024 - 2027	<u>1,378,047</u>	<u>166,727</u>	<u>1,544,774</u>
Total	<u>\$ 4,931,925</u>	<u>\$ 898,575</u>	<u>\$ 5,830,500</u>

NOTE 14 - 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.

NOTE 15 - 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:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis); and,

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance	<u>General fund</u>
Budget basis	\$ (95,907)
Net adjustment for revenue accruals	78,342
Net adjustment for expenditure accruals	(2,572)
Net adjustment for other sources/uses	(37,390)
Funds budgeted elsewhere	(4,475)
Adjustment for encumbrances	<u>36,227</u>
GAAP basis	<u>\$ (25,775)</u>

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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 capital acquisition. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2017	\$ -
Current year set-aside requirement	225,599
Current year offsets	<u>(396,704)</u>
Total	<u>\$ (171,105)</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside reserve balance June 30, 2018	<u>\$ -</u>

The District had current year offsets during the year that reduced the set-aside amount to below zero. The negative amount may not be used to reduce future capital set-aside requirements.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 17 - 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 general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2017-2018 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 18 - COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 26,464
Nonmajor governmental	<u>32,053</u>
Total	<u>\$ 58,517</u>

NOTE 19 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The Village of Archbold, Fulton County, and Henry County provide tax abatements through Community Reinvestment Areas (CRAs) and Enterprise Zones (EZones).

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 19 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS - (Continued)

CRA - Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

EZone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The CRA and EZone agreements affect the property tax receipts collected and distributed to the District. During fiscal year 2018, the District's property tax revenues were reduced as a result of these agreements as follows:

<u>Tax Abatement Program</u>	<u>Taxes Abated</u>
CRA	\$ 89,799
EZone	<u>11,785</u>
Total	<u>\$ 101,584</u>

NOTE 20 – SIGNIFICANT COMMITMENTS

The District has \$179,378 in contractual commitments as of June 30, 2018 for the purchase of 2 school buses.

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REQUIRED SUPPLEMENTARY INFORMATION

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04747050%	0.04791400%	0.04699700%	0.04787100%	0.04787100%
District's proportionate share of the net pension liability	\$ 2,836,258	\$ 3,506,855	\$ 2,681,683	\$ 2,442,724	\$ 2,846,735
District's covered payroll	\$ 1,543,007	\$ 1,453,571	\$ 1,414,856	\$ 1,391,046	\$ 1,341,997
District's proportionate share of the net pension liability as a percentage of its covered payroll	183.81%	241.26%	189.54%	175.60%	212.13%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.05196495%	0.05204740%	0.05228374%	0.05375760%	0.05375760%
District's proportionate share of the net pension liability	\$ 12,344,385	\$ 17,420,274	\$ 14,449,696	\$ 13,075,716	\$ 15,575,699
District's covered payroll	\$ 5,578,543	\$ 5,486,536	\$ 5,408,157	\$ 5,492,546	\$ 5,860,186
District's proportionate share of the net pension liability as a percentage of its covered payroll	221.28%	317.51%	267.18%	238.06%	265.79%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 215,960	\$ 216,021	\$ 203,500	\$ 186,478	\$ 192,799
Contributions in relation to the contractually required contribution	<u>(215,960)</u>	<u>(216,021)</u>	<u>(203,500)</u>	<u>(186,478)</u>	<u>(192,799)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,599,704	\$ 1,543,007	\$ 1,453,571	\$ 1,414,856	\$ 1,391,046
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%	13.86%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 849,596	\$ 780,996	\$ 768,115	\$ 757,142	\$ 714,031
Contributions in relation to the contractually required contribution	<u>(849,596)</u>	<u>(780,996)</u>	<u>(768,115)</u>	<u>(757,142)</u>	<u>(714,031)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,068,543	\$ 5,578,543	\$ 5,486,536	\$ 5,408,157	\$ 5,492,546
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.04807280%	0.04860153%
District's proportionate share of the net OPEB liability	\$ 1,290,148	\$ 1,385,323
District's covered payroll	\$ 1,543,007	\$ 1,453,571
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	83.61%	95.30%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.05196495%	0.05204274%
District's proportionate share of the net OPEB liability	\$ 2,027,481	\$ 2,783,259
District's covered payroll	\$ 5,578,543	\$ 5,486,536
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	36.34%	50.73%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 33,494	\$ 25,744	\$ -	\$ 39,226	\$ 44,103
Contributions in relation to the contractually required contribution	<u>(33,494)</u>	<u>(25,744)</u>	<u>-</u>	<u>(39,226)</u>	<u>(44,103)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,599,704	\$ 1,543,007	\$ 1,453,571	\$ 1,414,856	\$ 1,391,046
Contributions as a percentage of covered payroll	2.09%	1.67%	0.00%	2.77%	3.17%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ 67,428
Contributions in relation to the contractually required contribution	-	-	-	-	(67,428)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,068,543	\$ 5,578,543	\$ 5,486,536	\$ 5,408,157	\$ 5,492,546
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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**ARCHBOLD AREA LOCAL SCHOOL
FULTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
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		\$15,665
National School Lunch Program	10.555		
Cash Assistance			154,935
Non-Cash Assistance (Food Distribution)			37,333
Total National School Lunch Program			<u>192,268</u>
Total U.S. Department of Agriculture			<u>207,933</u>
U.S. DEPARTMENT OF DEFENSE			
<i>Direct Program</i>			
National School Lunch Program			
Non-Cash Assistance (Food Distribution)	10.555		<u>4,071</u>
Total All National School Lunch Program - CFDA #10.555			<u>196,339</u>
Total Child Nutrition Cluster			<u>212,004</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010		141,878
<u>Special Education Cluster (IDEA):</u>			
Special Education Grants to States (IDEA, Part B)	84.027	\$227,853	227,853
Special Education Preschool Grants (IDEA, Preschool)	84.173	9,186	9,186
Total Special Education Cluster (IDEA)		<u>237,039</u>	<u>237,039</u>
Twenty-First Century Community Learning Centers	84.287		133,770
Student Support and Academic Enrichment Program	84.424		9,748
English Language Acquisition State Grants	84.365	4,166	4,166
Improving Teacher Quality State Grants	84.367		<u>21,283</u>
Total U.S. Department of Education		<u>241,205</u>	<u>547,884</u>
Total Expenditures of Federal Awards		<u>\$241,205</u>	<u>\$759,888</u>

The accompanying notes are an integral part of this schedule.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Archbold Area Local School District, Fulton County, Ohio (the District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E - 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 F – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 10, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.ohioauditor.gov

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

Columbus, Ohio

January 10, 2019



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited Archbold Area Local School District, Fulton County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Archbold Area Local School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on each Major Federal Program

In our opinion, Archbold Area Local School District, Fulton County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 10, 2019

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control 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 weaknesses in internal control 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	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

Archbold Area Schools

Home of the Bluestreaks

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material Weakness – Reporting of Net Pension – Liability – Calculation of deferred inflows and deferred outflows resulted in errors.	Corrective Action Taken and Finding is Fully Corrected.	

OHIO AUDITOR OF STATE KEITH FABER



ARCHBOLD AREA LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 5, 2019**