



Dave Yost • Auditor of State

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) Basis) and Actual General Fund	19
Statement of Fiduciary Net Position – Fiduciary Funds.....	20
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	21
Notes to the Financial Statements	23
Federal Awards Receipts and Expenditures Schedule.....	53
Notes to the Federal Awards Receipts and Expenditures Schedule	54
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
Independent Auditor's Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	57
Schedule of Findings.....	59
Schedule of Prior Audit Findings.....	61

This page intentionally left blank.



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, 2014, 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 that we 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 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 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, 2014, and the respective changes in financial position 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.

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*, 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 inquiring to management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries and to the basic financial statements, and for consistency with 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 Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the 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 schedule 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 schedule 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 8, 2015, 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 "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 8, 2015

This page intentionally left blank.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The discussion and analysis of the financial performance of Archbold Area Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

The District retired \$675,000 in general obligation bonds from amounts accumulated in the Bond Retirement Fund.

In total, net position decreased \$623,161. This decrease is attributed to the overall increase in expenditures from 2013.

General revenues accounted for \$12,565,313, or 87 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating and capital grants and contributions accounted for \$1,926,172 or 13 percent of total revenues of \$14,491,485.

The District's major funds included the General Fund, the Bond Retirement Fund, and the Building Fund. The General Fund had \$11,756,998 in revenues and other financing sources and \$12,011,653 in expenditures and other financing uses. The General Fund's balance decreased \$254,655 from the prior fiscal year. The Bond Retirement Fund had \$916,184 in revenues and \$972,473 in expenditures. The Bond Retirement Fund's balance decreased \$56,289 from the prior fiscal year. The Building Fund had no in revenues and \$413,911 in expenditures. The Building Fund's balance decreased \$413,911 from the prior fiscal year.

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

Using the Basic Financial Statements

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2014 compared to fiscal year 2013.

**Table 1
Net Position
Governmental Activities**

	2014	2013
<u>Assets:</u>		
Current and Other Assets	\$12,369,430	\$13,271,445
Capital Assets, Net	16,897,002	17,147,510
Total Assets	29,266,432	30,418,955
<u>Liabilities:</u>		
Current and Other Liabilities	1,924,249	1,587,471
Long-Term Liabilities	8,837,147	9,625,698
Total Liabilities	10,761,396	11,213,169
Deferred Inflow of Resources	5,790,989	5,868,578
<u>Net Position:</u>		
Net Investment in Capital Assets	9,147,497	8,972,512
Restricted	2,109,578	2,704,630
Unrestricted	1,456,972	1,660,066
Total	\$12,714,047	\$13,337,208

Total assets decreased by \$1,152,523. This decrease in assets is partly due to the retirement of long-term debt.

Total liabilities (including deferred inflows of resources) decreased \$529,362, (3 percent). This decrease is due to payments on long-term debt.

As previously stated, total net position decreased by \$623,161 (5 percent) mainly due to increased expenditures. Net investment in capital assets increased by \$174,985 due to the ongoing construction of the wind turbine and retirement of debt. Restricted net position decreased by \$595,052, due to the retirement of debt issues. Unrestricted net position decreased by \$203,094.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Table 2 reflects the changes in net position for fiscal year 2014 compared to fiscal year 2013.

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

	<u>2014</u>	<u>2013</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$922,420	\$877,528
Operating Grants and Contributions	971,446	768,449
Capital Grants and Contributions	32,306	
Total Program Revenues	<u>1,926,172</u>	<u>1,645,977</u>
General Revenues:		
Property Taxes	6,311,099	6,147,545
Grants and Entitlements	6,013,656	6,351,984
Interest	36,282	14,997
Gifts and Donations	131,516	830
Miscellaneous	71,586	135,952
Proceeds from Sale of Capital Assets	1,174	
Total General Revenues	<u>12,565,313</u>	<u>12,651,308</u>
Total Revenues	<u>14,491,485</u>	<u>14,297,285</u>
<u>Expenses:</u>		
Instruction	8,428,608	8,832,085
Support Services:		
Pupils	935,275	874,226
Instructional Staff	505,866	560,538
Board of Education	30,616	43,092
Administration	744,298	790,577
Fiscal	357,446	359,822
Operation and Maintenance of Plant	1,839,122	1,174,786
Pupil Transportation	525,547	551,380
Central	228,226	15,807
Operational of Non-Instructional Services	487,859	510,973
Extracurricular Activities	704,241	724,647
Interest and Fiscal Charges	327,542	348,938
Total Expenses	<u>15,114,646</u>	<u>14,786,871</u>
Change in Net Position	(623,161)	(489,586)
Beginning Net Position	<u>13,337,208</u>	<u>13,826,794</u>
Ending Net Position	<u>\$12,714,047</u>	<u>\$13,337,208</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Program revenues increased by \$280,195 or (17 percent). Variance is due to an increase in operating grants (Straight A grant).

General revenues decreased by \$85,995 (less than 1 percent).

Total expenses increased by \$327,775 (less than 3 percent).

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

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2014	2014	2013	2013
Instruction	\$8,428,608	\$7,622,766	\$8,832,085	\$8,131,258
Support Services:				
Pupils	935,275	707,809	874,226	632,100
Instructional Staff	505,866	298,987	560,538	560,112
Board of Education	30,616	30,616	43,092	43,092
Administration	744,298	743,993	790,577	787,579
Fiscal	357,446	356,688	359,822	359,822
Operation and Maintenance of Plant	1,839,122	1,835,996	1,174,786	1,168,200
Pupil Transportation	525,547	525,547	551,380	551,380
Central	228,226	212,972	15,807	10,407
Non-Instructional	487,859	44,925	510,973	44,591
Extracurricular Activities	704,241	480,633	724,647	503,415
Interest and Fiscal Charges	327,542	327,542	348,938	348,938
Total Expenses	\$15,114,646	\$13,188,474	\$14,786,871	\$13,140,894

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 90 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 87 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Fund and the Building Fund. General Fund revenues and other financing sources increased by 5 percent from 2013. Bond Retirement Fund revenues increased by 5 percent, and expenditures decreased by less than 1 percent. The Building Fund expenditures increased by 100 percent.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The net decrease in the General Fund balance for fiscal year 2013 was \$1,007,538, compared to a net decrease of \$254,655 for fiscal year 2014. This was primarily a result of an increase in overall expenditures. The net decrease in the Bond Retirement Fund balance for fiscal year 2013 was \$107,513 compared to net decrease of \$56,289 for fiscal year 2014. This was primarily a result of an increase in property and local taxes in fiscal year 2014

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2014, the District amended its General Fund budget as needed.

Final and the original budgeted revenues and other financing sources were \$11,314,199. Actual revenues and other financing sources of \$11,531,136 were less than 2 percent above final budgeted amounts.

Final expenditures and other financing uses were budgeted at \$13,465,424, which was more than 33 percent above the original budget estimates of \$10,130,118. Actual expenditures and other financing uses were \$646,333 or 5 percent less than final budgeted amounts primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$16,897,002 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of 1 percent from the beginning of the year amount of \$17,147,510. The decrease was depreciation. For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2014, the District's long-term obligations, which include general obligation bonds payable and compensated absences, were \$7,814,643 down 8 percent from the end of fiscal year 2013 primarily due to the debt service payments made in fiscal year 2014.

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

At June 30, 2014, the District's overall legal debt margin was \$9,859,293, with an un-voted debt margin of \$196,377.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

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 furniture for another five years. 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 became a capped district in state funding as a result of the funding formula in HB 59. The District was limited in increases in funding and capped at 6.25% increase in FY'14 and 10.5% increase in 2015. Essentially, the District's funding was reduced from the calculation in HB 59. A driver in the increased funding was the years assessed valuation was recognized in the funding formula. There is some reassurance of continued increase in funding at the state level in the future.

As the state continues to re-vamp the Local Report Card, an overall grade was not given for FY'14, just grades for each component. The District received 5 A's, 2 B's and 2 C's. Overall, the District did very well.

Archbold Local School District continues to deficit spend and as a result, reduce carryover balance. Again this year, administration was able to take advantage of attrition with retirement with hope to reduce expenditures.

Contacting the District's Financial Management

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

This page intentionally left blank.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Position
June 30, 2014**

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 5,954,604
Materials and Supplies Inventory	8,958
Accounts Receivable	21,365
Intergovernmental Receivable	127,615
Taxes Receivable	6,230,025
Revenue in Lieu of Taxes Receivable	26,863
Non-Depreciable Capital Assets	713,221
Depreciable Capital Assets, net	16,183,781
Total Assets	<u><u>29,266,432</u></u>
LIABILITIES:	
Accounts Payable	190,436
Accrued Wages and Benefits	1,094,669
Contracts Payable	332,690
Intergovernmental Payable	287,731
Matured Compensated Absences Payable	18,723
Long-Term Liabilities:	
Due Within One Year	758,422
Due in More Than One Year	8,078,725
Total Liabilities	<u><u>10,761,396</u></u>
DEFERRED INFLOWS OF RESOURCES:	
Property Taxes Receivable	<u>5,790,989</u>
NET POSITION:	
Net Investment in Capital Assets	9,147,497
Restricted for Debt Service	1,937,834
Restricted for Other Purposes	171,744
Unrestricted	1,456,972
Total Net Position	<u><u>\$ 12,714,047</u></u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2014**

	Program Revenues			Net Expense and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
Instruction:					
Regular	\$ 6,835,409	\$ 483,749	\$ 48,552	\$ 32,306	\$ (6,270,802)
Special	1,392,237		179,653		(1,212,584)
Vocational	174,301		61,582		(112,719)
Student Intervention Services	5,768				(5,768)
Other	20,893				(20,893)
Support Services:					
Pupils	935,275		227,466		(707,809)
Instructional Staff	505,866		206,879		(298,987)
Board of Education	30,616				(30,616)
Administration	744,298		305		(743,993)
Fiscal	357,446		758		(356,688)
Operation and Maintenance of Plant	1,839,122	3,126			(1,835,996)
Pupil Transportation	525,547				(525,547)
Central	228,226		15,254		(212,972)
Operation of Non-Instructional Services	487,859	211,937	230,997		(44,925)
Extracurricular Activities	704,241	223,608			(480,633)
Debt Service:					
Interest and Fiscal Charges	327,542				(327,542)
Totals	\$ 15,114,646	\$ 922,420	\$ 971,446	\$ 32,306	(13,188,474)
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					5,421,791
Property Taxes, Levied for Capital Outlay					333,491
Property Taxes, Levied for Debt Service					555,817
Grants and Entitlements not Restricted to Specific Programs					6,013,656
Gifts and Donations					131,516
Investment Earnings					36,282
Miscellaneous					71,586
Proceeds from Sale of Capital Assets					1,174
<i>Total General Revenues</i>					<u>12,565,313</u>
<i>Change in Net Position</i>					(623,161)
<i>Net Position Beginning of Year</i>					13,337,208
<i>Net Position End of Year</i>					<u>\$ 12,714,047</u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2014**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 2,623,266	\$ 1,883,994	\$ 698,754	\$ 748,590	\$ 5,954,604
Materials and Supplies Inventory				8,958	8,958
Accounts Receivable	21,365				21,365
Interfund Receivable	791,940				791,940
Intergovernmental Receivable	27,364			100,251	127,615
Taxes Receivable	5,373,812	532,346		323,867	6,230,025
Revenue in Lieu of Taxes Receivable	26,863				26,863
Total Assets	<u>\$ 8,864,610</u>	<u>\$ 2,416,340</u>	<u>\$ 698,754</u>	<u>\$ 1,181,666</u>	<u>\$ 13,161,370</u>
Liabilities					
Current Liabilities:					
Accounts Payable	14,488			175,948	190,436
Accrued Wages and Benefits	1,029,641			65,028	1,094,669
Contracts Payable			332,690		332,690
Interfund Payable	1,465		779,975	10,500	791,940
Intergovernmental Payable	266,612			21,119	287,731
Matured Compensated Absences Payable	18,723				18,723
Total Liabilities	<u>1,330,929</u>		<u>1,112,665</u>	<u>272,595</u>	<u>2,716,189</u>
Deferred Inflow of Resources					
Property Taxes Receivable	4,952,202	483,313		270,160	5,705,675
Unavailable Revenue				74,227	74,227
Total Deferred Inflows of Resources	<u>4,952,202</u>	<u>483,313</u>		<u>344,387</u>	<u>5,779,902</u>
Fund Balances					
Nonspendable				8,958	8,958
Restricted		1,933,027		129,948	2,062,975
Committed				454,245	454,245
Assigned	72,911				72,911
Unassigned (Deficit)	2,508,568		(413,911)	(28,467)	2,066,190
Total Fund Balances	<u>2,581,479</u>	<u>1,933,027</u>	<u>(413,911)</u>	<u>564,684</u>	<u>4,665,279</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,864,610</u>	<u>\$ 2,416,340</u>	<u>\$ 698,754</u>	<u>\$ 1,181,666</u>	<u>\$ 13,161,370</u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2014**

Total Governmental Fund Balances	\$	4,665,279
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		16,897,002
Taxes Receivable, and Payments in Lieu of Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		(11,087)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(7,814,643)	
Compensated Absences Payable	<u>(1,022,504)</u>	
		<u>(8,837,147)</u>
Net Position of Governmental Activities	\$	<u><u>12,714,047</u></u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014**

	General Fund	Bond Retirement Fund	Building Fund	All Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Local Taxes	\$ 5,474,980	\$ 557,151		\$ 334,025	\$ 6,366,156
Intergovernmental	5,617,667	359,033		1,034,719	7,011,419
Interest	35,745			537	36,282
Tuition and Fees	476,249				476,249
Rent	3,126				3,126
Extracurricular Activities	56,242			167,366	223,608
Gifts and Donations	4,473			127,043	131,516
Customer Sales and Services				219,437	219,437
Payments in Lieu of Taxes	30,382				30,382
Miscellaneous	56,960			14,626	71,586
Total Revenues	11,755,824	916,184		1,897,753	14,569,761
Expenditures:					
Current:					
Instruction:					
Regular	6,285,035			151,877	6,436,912
Special	1,195,348			181,664	1,377,012
Vocational	165,181				165,181
Student Intervention Services	5,768				5,768
Other	20,893				20,893
Support Services:					
Pupils	705,596			227,466	933,062
Instructional Staff	375,960			207,820	583,780
Board of Education	30,616				30,616
Administration	726,995			5,155	732,150
Fiscal	326,985	14,412		15,167	356,564
Operation and Maintenance of Plant	958,072			125,772	1,083,844
Pupil Transportation	445,308			129,132	574,440
Central	208,172			20,054	228,226
Operation of Non-Instructional Services				498,298	498,298
Extracurricular Activities	440,065			238,426	678,491
Capital Outlay	309		\$ 413,911	540,358	954,578
Debt Service:					
Principal		675,000			675,000
Interest		283,061		34,813	317,874
Total Expenditures	11,890,303	972,473	413,911	2,376,002	15,652,689
Excess of Expenditures Over Revenues	(134,479)	(56,289)	(413,911)	(478,249)	(1,082,928)
Other Financing Sources and Uses:					
Transfers In				121,350	121,350
Proceeds from Sale of Capital Assets	1,174				1,174
Transfers Out	(121,350)				(121,350)
Total Other Financing Sources and Uses	(120,176)			121,350	1,174
Net Change in Fund Balances	(254,655)	(56,289)	(413,911)	(356,899)	(1,081,754)
Fund Balance at Beginning of Year	2,836,134	1,989,316		921,583	5,747,033
Fund Balance at End of Year	\$ 2,581,479	\$ 1,933,027	\$ (413,911)	\$ 564,684	\$ 4,665,279

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014**

Net Change in Fund Balances - Total Governmental Funds	\$	(1,081,754)
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.</p>		
Capital Outlay - Depreciable Capital Assets	493,620	
Depreciation	<u>(743,003)</u>	(249,383)
<p>The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.</p>		
Loss on Disposal of Capital Assets		(1,125)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Payments in Lieu of Taxes	(30,382)	
Intergovernmental	5,989	
Delinquent Property Taxes	<u>(55,057)</u>	(79,450)
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.</p>		
		675,000
<p>Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.</p>		
Capital Appreciation Interest	(19,380)	
Amortization of Premium	<u>9,712</u>	(9,668)
<p>Some expenses reported on the statement of activities, such as compensated absences that do not require use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>		
Compensated Absences Payable		<u>123,219</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>(623,161)</u></u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property and Other Local Taxes	\$ 5,321,411	\$ 5,321,411	\$ 5,338,201	\$ 16,790
Intergovernmental	5,439,673	5,439,673	5,590,303	150,630
Interest	26,000	26,000	24,356	(1,644)
Tuition and Fees	416,435	416,435	463,678	47,243
Rent	7,000	7,000	3,826	(3,174)
Gifts and Donations	500	500	4,473	3,973
Payments in Lieu of Taxes	34,699	34,699	34,699	
Miscellaneous	11,481	11,481	13,343	1,862
<i>Total Revenues</i>	<u>11,257,199</u>	<u>11,257,199</u>	<u>11,472,879</u>	<u>215,680</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,263,798	6,500,821	6,307,686	193,135
Special	1,111,052	1,334,132	1,202,278	131,854
Vocational	134,151	180,316	171,784	8,532
Student Intervention Services	5,233	5,233	5,768	(535)
Other	25,424	20,681	19,903	778
Support Services:				
Pupils	528,427	743,971	701,205	42,766
Instructional Staff	422,473	408,648	387,137	21,511
Board of Education	43,575	49,887	38,398	11,489
Administration	605,030	764,969	727,882	37,087
Fiscal	273,294	354,143	328,767	25,376
Operation and Maintenance of Plant	918,449	1,065,790	971,105	94,685
Pupil Transportation	435,364	521,804	458,901	62,903
Central	38,694	203,340	200,633	2,707
Extracurricular Activities	287,945	377,494	378,510	(1,016)
Capital Outlay	15,270	15,370	309	15,061
<i>Total Expenditures</i>	<u>10,108,179</u>	<u>12,546,599</u>	<u>11,900,266</u>	<u>646,333</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,149,020</u>	<u>(1,289,400)</u>	<u>(427,387)</u>	<u>862,013</u>
Other Financing Sources and Uses:				
Advances In	7,000	7,000	7,000	
Proceeds from Sale of Capital Assets			1,174	1,174
Refund of Prior Year Expenditures	50,000	50,000	50,083	83
Transfers Out	(16,314)	(121,350)	(121,350)	
Advances Out	(5,625)	(797,475)	(797,475)	
<i>Total Other Financing Sources and Uses</i>	<u>35,061</u>	<u>(861,825)</u>	<u>(860,568)</u>	<u>1,257</u>
<i>Net Change in Fund Balance</i>	<u>1,184,081</u>	<u>(2,151,225)</u>	<u>(1,287,955)</u>	<u>863,270</u>
Fund Balance at Beginning of Year	3,800,437	3,800,437	3,800,437	
Prior Year Encumbrances Appropriated	19,368	19,368	19,368	
<i>Fund Balance at End of Year</i>	<u>\$ 5,003,886</u>	<u>\$ 1,668,580</u>	<u>\$ 2,531,850</u>	<u>\$ 863,270</u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 10	\$ 69,823
Investments	<u>54,493</u>	<u>69,823</u>
<i>Total Assets</i>	<u>54,503</u>	<u>69,823</u>
Liabilities		
Current Liabilities:		
Undistributed Monies		\$ <u>69,823</u>
Net Position		
Held in Trust for Scholarships	<u>54,503</u>	
Total Net Position	<u>\$ 54,503</u>	

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014**

	<u>Private Purpose Trust</u>
ADDITIONS:	
Interest	\$ <u>184</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>949</u>
Change in Net Assets	(765)
Net Position Beginning of Year	<u>55,268</u>
Net Position End of Year	\$ <u><u>54,503</u></u>

See Accompanying Notes to the Basic Financial Statements

This page intentionally left blank.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District is staffed by 53 classified employees and 86 certified teaching personnel, who provide services to 1,248 students and other community members. The board oversees the operations of the District's four instructional/support facilities.

The Reporting Entity

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

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

The District is associated with organizations, which are defined as jointly governed organizations, a related organization and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Archbold Community Library, the Northern Buckeye Health Plan, Northwest Division of Optimal Health Initiatives (OHI) Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17, 18, and 19 to the basic financial statements.

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. Basis of Presentation

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Building Fund - The Building Fund is used to account for revenues and expenditures related to the construction of new school buildings.

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.

C. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net 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.

D. Basis of Accounting

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statement of financial position may report 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 that time. The District did not report any deferred outflows of resources for fiscal year 2014.

In addition to liabilities, the statement of financial position may report 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 consists of property taxes and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes accrued interest, delinquent property taxes, income taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures/Expenses

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

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

E. Budgetary Process

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

F. Cash and Investments

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

During fiscal year 2014, investments consisted of federal agency securities, a money market mutual fund, US treasury bills, and commercial paper. Investments in federal securities, US treasury bills and commercial paper are reported at fair value which is based on quoted market prices. The District's money market mutual fund is recorded at the amount reported by Robert W. Baird and Company at June 30, 2014

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014, was \$35,745 for the General Fund, which includes \$11,691 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.

G. Inventory

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

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Position

Net position represent 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. Net position restricted for other purposes include activities for food service operations, music and athletic programs, and state and federal grants restricted to expenditure for specific purposes.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance

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

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

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

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

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

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

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.

M. Interfund Transactions

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

N. 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.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

3. ACCOUNTABILITY

At June 30, 2014, the Lunch Room, Title I, Title II-A special revenue funds, and the Building capital project fund had deficit fund balances of \$18,713, \$711, \$85, and \$413,911, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit fund balances; however, this is done when cash is needed rather than when accruals occur.

4. CHANGE IN ACCOUNTING PRINCIPLE

For 2014, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 67, "Financial Reporting of Pension Plans" and Governmental Accounting Standard Board (GASB) Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government. However, GASB 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or blended or discretely presented component unit.

The implementation of GASB Statements No. 67 and No. 70 did not have an effect on the financial statements of the District.

5. BUDGETARY BASIS OF ACCOUNTING

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance Major Governmental Fund	General
GAAP Basis	(\$254,655)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2013, Received In Cash FY 2014	334,724
Accrued FY 2014, Not Yet Received in Cash	(549,009)
Expenditure Accruals:	
Accrued FY 2013, Paid in Cash FY 2014	(1,358,381)
Accrued FY 2014, Not Yet Paid in Cash	1,379,547
Advances Net	(790,475)
Eliminate Non-General Fund Activity	(1,802)
Encumbrances Outstanding at Year End (Budget Basis)	(47,904)
Budget Basis	(\$1,287,955)

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if trading requirements have been met.

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

Investments may only be made through specified dealers and institutions.

At year end, the District had \$1,075 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

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

Investments

As of June 30, 2014, the District had the following investments and maturities.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
Federal Home Loan Bank (FHLB) Bonds	\$492,603		\$289,191	\$203,412
US Treasury Note	200,172		200,172	
Federal National Mortgage Association (FNMA) Bonds	1,481,253		610,530	870,723
Federal Home Loan Mortgage Association (FHLMA) Bonds	455,715		155,067	300,648
United States Money Market Mutual Fund	96,574	\$96,574		
Toyota Motor Credit Commercial Paper	304,646	304,646		
Total Investments	\$3,030,963	\$401,220	\$1,254,960	\$1,374,783

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

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

<u>Investment Type</u>	<u>Moody’s</u>	<u>Standard & Poor’s</u>
Federal Home Loan Bank (FHLB) Bonds	Aaa	AAA
Federal National Mortgage Association (FNMA) Bonds	Aaa	AAA
Federal Home Loan Mortgage Association (FHLMA) Bonds	Aaa	AAA
US Treasury Note	Aaa	AAAm
United States Treasury Money Market Fund	Aaa	AAAm
Toyota Motor Credit Commercial Paper	P-1	A-1+

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The FHLB Bonds, FNMA Bonds, FHLMA Bonds, and US Treasury Note are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the District’s name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers’ acceptances to 25 percent of the interim monies available for investment at any one time. The District’s investment in FHLB Bonds; FNMA Bonds; FHLMA Bonds, US Treasury Notes, and Toyota Motor Credit Commercial Paper, represent 16 percent, 7 percent, 49 percent, 15 percent, and 10 percent, respectively of the District’s total investments.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes for 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2014 were levied after April 1, 2013, on the assessed values as of December 31, 2012, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, and public utility property taxes, which were measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2014 operations. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2014, was \$421,610 in the General Fund, \$49,033 in the Debt Service Fund, and \$53,707 in the Capital Projects Fund. The amount available as an advance at June 30, 2013, was \$284,831 in the General Fund and \$35,441 in the Debt Service Fund, and \$40,472 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$126,956,400	65%	\$127,138,200	65%
Industrial/Commercial	60,023,020	31%	59,434,220	30%
Public Utility	9,032,590	4%	9,804,650	5%
Total Assessed Value	<u>\$196,012,010</u>	<u>100%</u>	<u>\$196,377,070</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$45.61		\$45.61	

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2014, consisted of accounts (tax abatements, interest, tuition and fees, and miscellaneous), intergovernmental receivables arising from grants, and property taxes. All receivables are considered collectible in full and within one year.

Accounts Receivable:	Amount
General Fund	
Tuition	\$163
Extracurricular	636
Miscellaneous	<u>20,566</u>
Total Accounts Receivable	<u>\$21,365</u>
Intergovernmental Receivable:	
Catastrophic Fees	\$27,364
Lunchroom Subsidy	2,283
Race to the Top	13,474
Title I Fund	31,834
Title II-A Fund	<u>52,660</u>
Total Intergovernmental Receivable	<u>\$127,615</u>

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance at 06/30/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Balance at 6/30/2014</u>
Governmental Activities					
Nondepreciable Capital Assets					
Land	\$713,221				\$713,221
Construction in Progress	<u>1,679,735</u>	<u>\$182,432</u>		<u>(\$1,862,167)</u>	
Total Nondepreciable Capital Assets	<u>2,392,956</u>	<u>182,432</u>		<u>(1,862,167)</u>	<u>713,221</u>
Depreciable Capital Assets					
Land Improvements	2,061,183				2,061,183
Buildings and Building Improvements	22,394,579				22,394,579
Furniture, Fixtures, and Equipment	1,626,345	180,506	\$50,734	1,862,167	3,618,284
Vehicles	<u>1,054,043</u>	<u>130,682</u>	<u>60,498</u>		<u>1,124,227</u>
Total Depreciable Capital Assets	<u>27,136,150</u>	<u>311,188</u>	<u>111,232</u>	<u>1,862,167</u>	<u>29,198,273</u>
Less Accumulated Depreciation					
Land Improvements	850,879	97,699			948,578
Buildings and Building Improvements	9,932,102	499,740			10,431,842
Furniture, Fixtures, and Equipment	937,724	62,418	49,609		950,533
Vehicles	<u>660,891</u>	<u>83,146</u>	<u>60,498</u>		<u>683,539</u>
Total Accumulated Depreciation	<u>12,381,596</u>	<u>743,003</u>	<u>110,107</u>		<u>13,014,492</u>
Depreciable Capital Assets, Net	<u>14,754,554</u>	<u>(431,815)</u>	<u>1,125</u>	<u>\$1,862,167</u>	<u>16,183,781</u>
Governmental Activities Capital Assets, Net	<u>\$17,147,510</u>	<u>(\$249,383)</u>	<u>\$1,125</u>		<u>\$16,897,002</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$436,371
Special	36,605
Vocational	26,992
Instructional Staff	45
Support Services:	
Operation and Maintenance of Plant	29,342
Pupil Transportation	73,773
Operation of Non-Instructional Services	4,407
Extracurricular	121,495
Capital Outlay	13,973
Total Depreciation Expense	<u>\$743,003</u>

10. 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 2014, the District contracted with the Hylant Group, Ohio School Plan for property, fleet, violence and liability insurance in the amounts as follows:

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. RISK MANAGEMENT (Continued)

Property, blanket building and personal property	\$55,455,200
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 years, and there has been no significant reduction in the amount of insurance coverage from last year.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. RISK MANAGEMENT (Continued)

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 19). 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.

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.

11. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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 current District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The District's required contribution to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$278,138, \$233,739, and \$217,702 respectively; 61 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. PENSION AND RETIREMENT PLANS (Continued)

B. State Teachers Retirement System

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

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

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

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contribution and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the members account balance.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. PENSION AND RETIREMENT PLANS (Continued)

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

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

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

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2014, 2013, and 2012 were \$876,569, \$912,613, and \$893,494, respectively; 87 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. EARLY RETIREMENT INCENTIVE PLAN

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

13. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Medicare Part B Plan - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The District's contributions to Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$16,136, \$13,204 and \$12,856, respectively; 61 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. POSTEMPLOYMENT BENEFITS (Continued)

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended 2014, the health care allocation is .016 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 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 2014, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned health care for the years ended June 30, 2014, 2013, and 2012 were \$27,967, \$26,208, and \$29,046, respectively; 7 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

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

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$67,428, \$70,201, and \$68,730 respectively; 87 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. 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.

15. LONG-TERM OBLIGATIONS

During the year ended June 30, 2014 the following changes occurred in obligations reported in the government-wide financial statements:

	<u>Balance at 6/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/14</u>	<u>Due Within One Year</u>
Series 2004					
Current interest bonds	\$5,360,000		\$510,000	\$4,850,000	\$525,000
School Construction Bond 2011	625,000			625,000	
Advance Refunding 2011:					
Current interest bonds	2,300,000		165,000	2,135,000	170,000
Capital appreciation bonds	68,721	\$19,380		88,101	
Unamortized Bond Premium	126,254		9,712	116,542	9,712
Total Series 2011	<u>2,494,975</u>	<u>19,380</u>	<u>174,912</u>	<u>2,339,643</u>	<u>179,712</u>
Total General obligation bonds	8,479,975	19,380	684,712	7,814,643	704,712
Compensated absences payable	1,145,723		123,219	1,022,504	53,710
	<u>\$9,625,698</u>	<u>\$19,380</u>	<u>\$807,931</u>	<u>\$8,837,147</u>	<u>\$758,422</u>
Total					

School Improvement Replacement Bonds – 2004

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

The refunding bonds were issued on August 17, 2004. The bonds consisted of \$6,635,000 in current interest serial bonds and \$729,997 in capital appreciation bonds.

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

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

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

Advance Refunding Bonds – 2011

Proceeds from the bonds were used for the purpose of refunding of general obligation bonds, dated March 22, 2001, which were issued for the purpose of constructing additions to, and renovating and improving existing school buildings and facilities at the high school. The refunding bonds were issued in March 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 debt service fund. The source payment is derived from a current tax levy.

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

The District in effect decreased its aggregated debt service payments by \$277,226 over the next 15 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$220,605.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2014	\$170,000	2.000%
2015	170,000	2.250%
2016	180,000	2.500%
2017	180,000	2.750%
2019	190,000	3.000%
2020	190,000	3.125%
2021	195,000	3.500%
2022	200,000	4.500%
2023	210,000	4.500%
2024	220,000	4.500%
2025	230,000	4.0005

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

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2018	\$29,963	\$185,000

The value of the capital appreciation bonds reported at June 30, 2014 was \$88,101. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$19,380 has been included in the value. The bonds are being retired through the Bond Retirement Fund.

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.

The scheduled payments of principal and interest on debt outstanding at June 30, 2014 are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$704,712	\$295,113	\$999,825
2016	729,712	270,800	1,000,512
2017	754,712	244,612	999,324
2018	779,712	216,493	996,205
2019	712,813	188,439	901,252
2020 – 2024	3,038,559	499,822	3,538,381
2025 – 2027	1,094,423	105,781	1,200,204
Total	<u>\$7,814,643</u>	<u>\$1,821,060</u>	<u>\$9,635,703</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

16. 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.

17. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public districts within the boundaries of Defiance, Fulton, Henry, Lucas, Wood, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$42,069. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

C. Four County Career Center

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

18. RELATED ORGANIZATION

Archbold Community Library

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

19. GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

The District participates in a group health insurance pool through the Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Pool) 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 \$1,283,403 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.

B. 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 \$1,405 to WCGRP to cover the costs of administering the program.

20. 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

	Capital Acquisition
Current Year Set-aside Requirement	\$211,484
Current Year Offsets	(582,216)
Total	(\$370,732)

The District had qualifying disbursements and 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.

21. CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

B. Litigation

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

22. CONTRACTUAL COMMITMENTS

As of June 30, 2014, the District had the following contractual purchase commitment for the HB264 Upgrades construction project:

Company	Amount Remaining
Plug Smart	\$332,690

23. FUND BALANCE

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

23. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Building Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Nonspendable for:					
Materials and Supplies				\$8,958	\$8,958
Total Nonspendable				8,958	8,958
Restricted for:					
Special Instruction				4,995	4,995
Athletics				112,031	112,031
Debt Retirement		\$1,933,027			1,933,027
Wind Turbine Project				12,922	12,922
Total Restricted		1,933,027		129,948	2,062,975
Committed for:					
Permanent Improvements				454,245	454,245
Assigned for:					
School Supplies	\$178				178
Principal Funds	39,317				39,317
Encumbrances	33,416				33,416
Total Assigned	72,911				72,911
Unassigned (Deficit)	2,508,568		(\$413,911)	(28,467)	2,066,190
Total Fund Balance	<u>\$2,581,479</u>	<u>\$1,933,027</u>	<u>(\$413,911)</u>	<u>\$564,684</u>	<u>\$4,665,279</u>

24. INTERFUND TRANSFERS

During fiscal year 2014, the General Fund made transfers to Permanent Improvement fund in the amount of \$121,350, for Wind Turbine Maintenance and other projects.

25. SUBSEQUENT EVENT

The District authorized the issuance of bonds in the amount not to exceed \$4,325,000 for the purpose of refunding a portion of bonds issued in August 2004 for the purpose of advance refunding a portion of the school district's school facilities construction and improvement bonds, dated as of June 1, 1996; and authorizing and approving related matters.

This page intentionally left blank.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program - Cash Assistance	10.553	\$20,008	\$20,008
National School Lunch Program	10.555		
Cash Assistance		138,234	138,234
Non- Cash Assistance (Food Distribution)		66,833	66,833
Total National School Lunch Program		<u>205,067</u>	<u>205,067</u>
Total U.S. Department of Agriculture		<u>225,075</u>	<u>225,075</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster (IDEA):</u>			
Special Education - Grants to States (IDEA, Part B)	84.027	227,466	227,466
Special Education - Preschool Grants (IDEA, Preschool)	84.173	9,199	9,199
Total Special Education Cluster (IDEA)		<u>236,665</u>	<u>236,665</u>
English Language Acquisition State Grant	84.365	2,472	2,472
ARRA - Race to the Top	84.395	12,426	7,441
Title I Grants to Local Educational Agencies	84.010	168,717	168,863
Improving Teacher Quality State Grants	84.367	27,427	28,873
Education Jobs Grant	84.410	276	276
Total U.S. Department of Education		<u>447,983</u>	<u>444,590</u>
Totals		<u>\$673,058</u>	<u>\$669,665</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - 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 A 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. The amount passed through to subrecipients was \$239,137.

NOTE C - 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 D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

INDEPENDENT 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, 2014, 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 8, 2015..

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings to be material weaknesses.

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

Entity's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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 communication 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 initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

January 8, 2015



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 OMB CIRCULAR A-133

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) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Audit 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 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 (the District) 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, 2014.

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 *OMB Circular A-133*, 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 compliance tests and the results of this testing based on *OMB Circular A-133* requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 8, 2015

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

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 control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster – School Breakfast Program CFDA # 10.553 and School Lunch Program CFDA # 10.555 Special Education Cluster – Grants to States (IDEA, Part B) CFDA #84.027 and Preschool Grants (IDEA PreSchool) CFDA # 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

Material Weakness - Financial Reporting

Codification of Governmental Standards Accounting Board Accounting Standards Section 1600.100(a) states financial statements for governmental funds should be presented using current financial resources measurement focus and the modified accrual basis of accounting. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable.

Building fund expenditures were overstated by \$83,705 due to recognition as contracts payable at June 30, 2014. These costs had not been incurred until fiscal 2015.

As a result, the financial statements did not correctly reflect the financial activity of the District for the fiscal year. Adjustments to the financial statements were made to correct the errors.

To ensure the District's financial statements are complete and accurate, we recommend the Treasurer record expenditures to funds when incurred in accordance with the modified accrual basis of accounting.

Officials' Response:

An error was made by the District Treasurer when reporting expenditures to the GAAP compiler causing this adjustment. Will exercise due care in future.

FINDING NUMBER 2014-002

Material Weakness – Cash and Investments

The District's accounting policy for cash and investments provides that investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

The District reported investments of \$2,623,266 in the General fund and \$410,002 in Other Governmental Funds. These investments were purchased from the District's pool. These amounts should have been reported as cash equivalents on the financial statements instead of investments.

Adjustments were recorded on the financial statements to present these securities as cash equivalents. We recommend all investments be compared with the District's accounting policy for cash and investments to determine proper disclosure.

Officials' Response:

The GAAP Compiler will exercise due care in future.

3. FINDINGS FOR FEDERAL AWARDS

None

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Material weakness due to incomplete implementation of all GASB standards 63 and 65 requirements.	Yes	
2013-002	Material weakness due to incorrect reporting of fund balance classifications.	Yes	

This page intentionally left blank.



Dave Yost • Auditor of State

ARCHBOLD AREA LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 27, 2015**