



Dave Yost • Auditor of State

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Archbold Area Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Archbold Area Local School District, Fulton County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

February 20, 2013

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012
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, 2012. 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 2012 are as follows:

The District retired \$1,315,000 in general obligation bonds from amounts accumulated in the Bond Retirement Fund.

In total, net assets increased \$364,392. This increase is attributed to the overall decrease in expenditures.

General revenues accounted for \$13,133,549, or 90 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$1,532,994 or 10 percent of total revenues of \$14,666,543.

The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had \$11,284,893 in revenues and other financing sources and \$11,528,726 in expenditures. The General Fund's balance decreased \$243,833 from the prior fiscal year. The Bond Retirement Fund had \$849,904 in revenues and \$1,657,297 in expenditures. The Bond Retirement Fund's balance decreased \$807,393 from the prior fiscal year.

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

Using the Basic Financial Statements

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

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

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

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

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2012 compared to fiscal year 2011.

Table 1		
Net Assets		
Governmental Activities		
	2012	2011
<u>Assets:</u>		
Current and Other Assets	\$15,050,553	\$16,694,206
Capital Assets, Net	17,070,129	16,448,131
Total Assets	32,120,682	33,142,337
<u>Liabilities:</u>		
Current and Other Liabilities	7,205,690	7,423,488
Long-Term Liabilities	10,648,321	11,816,570
Total Liabilities	17,854,011	19,240,058
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	9,034,421	7,197,636
Restricted	2,974,166	4,254,073
Unrestricted	2,258,084	2,450,570
Total	\$14,266,671	\$13,902,279

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

Total assets decreased by \$1,021,655. This decrease in assets is primarily due to the retirement of long-term debt.

Total liabilities decreased \$1,386,047 (7 percent). This decrease is due to payments on long-term debt.

Total net assets increased by \$364,392 (3 percent). Net assets invested in capital assets increased by \$1,836,785 due to the ongoing construction of the wind turbine and retirement of debt. Restricted net assets decreased by \$1,279,907, due to the retirement of debt issues. Unrestricted net assets decreased by \$192,486.

Table 2 reflects the changes in net assets for fiscal year 2012 compared to fiscal year 2011.

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

	<u>2012</u>	<u>2011</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$818,523	\$922,204
Operating Grants, Contributions and Interest	714,471	1,358,458
Total Program Revenues	<u>1,532,994</u>	<u>2,280,662</u>
General Revenues:		
Property Taxes	6,296,270	6,307,431
Grants and Entitlements	6,622,890	6,136,797
Interest	35,973	50,935
Gifts and Donations	3,000	1,500
Miscellaneous	175,341	57,801
Proceeds from Sale of Capital Assets	75	751
Total General Revenues	<u>13,133,549</u>	<u>12,555,215</u>
Total Revenues	<u>14,666,543</u>	<u>14,835,877</u>
<u>Expenses:</u>		
Instruction	8,371,234	8,467,343
Support Services:		
Pupils	877,662	892,452
Instructional Staff	495,378	511,162
Board of Education	43,686	33,224
Administration	792,732	809,828
Fiscal	375,438	371,875
Operation and Maintenance of Plant	1,042,683	1,090,722
Pupil Transportation	554,373	524,762
Operational of Non-Instructional Services	533,243	517,510
Extracurricular Activities	732,513	743,651
Capital Outlay	19,965	403,595
Interest and Fiscal Charges	463,244	474,912
Issuance Costs		79,266
Total Expenses	<u>14,302,151</u>	<u>14,920,302</u>
Change in Net Assets	364,392	(84,425)
Beginning Net Assets	<u>13,902,279</u>	<u>13,986,704</u>
Ending Net Assets	<u>\$14,266,671</u>	<u>\$13,902,279</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

Program revenues decreased by \$747,668 (33 percent). Variance is due to a decrease in operating grants and contributions (stimulus monies).

General revenues increased by \$578,334 (less than 5 percent).

Total expenses decreased by \$618,151 (less than 5 percent).

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

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2012	2012	2011	2011
Instruction	\$8,371,234	\$7,840,950	\$8,467,343	\$7,052,799
Support Services:				
Pupils	877,662	643,958	892,452	882,901
Instructional Staff	495,378	495,378	511,162	510,301
Board of Education	43,686	43,686	33,224	33,224
Administration	792,732	791,288	809,828	796,530
Fiscal	375,438	375,438	371,875	371,875
Operation and Maintenance of Plant	1,042,683	1,037,748	1,090,722	1,009,379
Pupil Transportation	554,373	554,373	524,762	524,762
Non-Instructional	533,243	10,888	517,510	(5,026)
Extracurricular Activities	732,513	492,241	743,651	505,122
Capital Outlay	19,965	19,965	403,595	403,595
Interest and Fiscal Charges	463,244	463,244	474,912	474,912
Issuance Costs			79,266	79,266
Total Expenses	<u>\$14,302,151</u>	<u>\$12,769,157</u>	<u>\$14,920,302</u>	<u>\$12,639,640</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 93 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 89 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Bond Retirement Fund. General Fund revenues and other financing sources decreased by less than 5 percent from 2011. Bond Retirement Fund revenues and other financing sources decreased by 79 percent, and expenditures decreased by 63 percent. The decreases are attributed to an advance refunding transaction and the issuance of qualified school construction bonds in fiscal year 2011.

The net increase in the General Fund balance for fiscal year 2011 was \$173,827, compared to a net decrease of \$243,833 for fiscal year 2012. This was primarily a result of a decrease in overall revenues. The net decrease in the Bond Retirement Fund balance for fiscal year 2011 was \$481,237 compared to net decrease of \$807,393 for fiscal year 2012. This was primarily a result of a decrease in property tax collections due to a reduction in the District's debt millage.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2012, the District amended its General Fund budget as needed.

Original and final budgeted revenues and other financing sources were \$11,356,533. Actual revenues and other financing sources of \$11,263,322 were less than 1 percent above final budgeted amounts.

Final expenditures and other financing uses were budgeted at \$12,391,932, which was less than 1 percent above the original budget estimates of \$12,378,788. Actual expenditures and other financing uses were \$740,145 or 6 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 2012, the District had \$17,070,129 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of 4 percent from the beginning of the year amount of \$16,448,131. The increase was attributed to construction in progress on for the wind turbine. For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2012, the District's long-term obligations, which include general obligation bonds payable and compensated absences, were \$10,648,321, down 10 percent from the end of fiscal year 2011 primarily due to the debt service payments made in fiscal year 2012.

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

At June 30, 2012, the District's overall legal debt margin was \$8,929,319, with an un-voted debt margin of \$199,152.

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

Current Issues

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

In May, 2011, District residents renewed a 5 year, 5.39 mill Emergency Levy for operating purposes. This levy provides a source of funds for the financial operations and stability for a period of time. However, despite the levy approval, the District experienced expenditures in excess of revenue sources in fiscal year 2012 and projections indicate an ongoing scenario thru fiscal year 2017. Additional funding and/or budget cuts will be necessary in the next 5 years to maintain positive cash balances.

Contacting the District's Financial Management

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

		<u>Governmental Activities</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	7,499,113
Cash and Cash Equivalents with Escrow Agents		34,698
Materials and Supplies Inventory		14,435
Accrued Interest Receivable		2
Accounts Receivable		2,572
Intergovernmental Receivable		80,391
Taxes Receivable		6,362,182
Revenue in Lieu of Taxes Receivable		598,221
Unamortized Bond Costs		458,939
Non-Depreciable Capital Assets		1,890,120
Depreciable Capital Assets, net		<u>15,180,009</u>
<i>Total Assets</i>		<u><u>32,120,682</u></u>
Liabilities:		
Accounts Payable		10,526
Accrued Wages and Benefits		935,686
Contracts Payable		27,000
Intergovernmental Payable		296,914
Matured Compensated Absences Payable		25,582
Retainage Payable		34,698
Deferred Revenue		5,875,284
Long-Term Liabilities:		
Due Within One Year		758,048
Due in More Than One Year		<u>9,890,273</u>
<i>Total Liabilities</i>		<u><u>17,854,011</u></u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt		9,034,421
Restricted for Debt Service		2,124,464
Restricted for Capital Outlay		576,703
Restricted for Other Purposes		272,999
Unrestricted		<u>2,258,084</u>
<i>Total Net Assets</i>	\$	<u><u>14,266,671</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, 2012**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 6,916,224	\$ 316,756	\$ 54,898	\$ (6,544,570)
Special	1,228,663		135,814	(1,092,849)
Vocational	196,178		22,816	(173,362)
Student Intervention Services	2,265			(2,265)
Other	27,904			(27,904)
Support Services:				
Pupils	877,662		233,704	(643,958)
Instructional Staff	495,378			(495,378)
Board of Education	43,686			(43,686)
Administration	792,732		1,444	(791,288)
Fiscal	375,438			(375,438)
Operation and Maintenance of Plant	1,042,683	4,935		(1,037,748)
Pupil Transportation	554,373			(554,373)
Operation of Non-Instructional Services	533,243	256,560	265,795	(10,888)
Extracurricular Activities	732,513	240,272		(492,241)
Capital Outlay	19,965			(19,965)
Debt Service:				
Interest and Fiscal Charges	463,244			(463,244)
Totals	\$ 14,302,151	\$ 818,523	\$ 714,471	(12,769,157)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	5,444,568
Property Taxes, Levied for Capital Outlay	337,905
Property Taxes, Levied for Debt Service	513,797
Grants and Entitlements not Restricted to Specific Programs	6,622,890
Gifts and Donations	3,000
Investment Earnings	35,973
Miscellaneous	175,341
Proceeds from Sale of Capital Assets	75
Total General Revenues	13,133,549
Change in Net Assets	364,392
Net Assets Beginning of Year	13,902,279
Net Assets End of Year	\$ 14,266,671

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 4,701,410	\$ 2,059,000	\$ 738,703	\$ 7,499,113
Cash and Cash Equivalents with Escrow Agents			34,698	34,698
Materials and Supplies Inventory			14,435	14,435
Accrued Interest Receivable	2			2
Accounts Receivable	2,272		300	2,572
Interfund Receivable	1,465			1,465
Intergovernmental Receivable	846		79,545	80,391
Taxes Receivable	5,512,618	512,877	336,687	6,362,182
Revenue in Lieu of Taxes Receivable	598,221			598,221
<i>Total Assets</i>	\$ 10,816,834	\$ 2,571,877	\$ 1,204,368	\$ 14,593,079
Liabilities:				
Current Liabilities:				
Accounts Payable	9,232		1,294	10,526
Accrued Wages and Benefits	865,103		70,583	935,686
Contracts Payable			27,000	27,000
Interfund Payable	1,465			1,465
Intergovernmental Payable	269,703		27,211	296,914
Matured Compensated Absences Payable	25,582			25,582
Retainage Payable			34,698	34,698
Deferred Revenue	5,802,077	475,048	329,066	6,606,191
<i>Total Liabilities</i>	6,973,162	475,048	489,852	7,938,062
Fund Balances:				
Nonspendable			14,435	14,435
Restricted		2,096,829	330,396	2,427,225
Committed			371,908	371,908
Assigned	49,472			49,472
Unassigned (Deficit)	3,794,200		(2,223)	3,791,977
<i>Total Fund Balances</i>	3,843,672	2,096,829	714,516	6,655,017
<i>Total Liabilities and Fund Balances</i>	\$ 10,816,834	\$ 2,571,877	\$ 1,204,368	\$ 14,593,079

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENT FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012**

Total Governmental Fund Balances	\$	6,655,017
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		17,070,129
Taxes Receivable and Payments in Lieu of Taxes Receivable that do not provide financial resources are not reported as revenues in the governmental funds.		730,907
Unamortized Bond Costs		458,939
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(9,589,247)	
Compensated Absences Payable	<u>(1,059,074)</u>	
		<u>(10,648,321)</u>
<i>Net Assets of Governmental Activities</i>	\$	<u><u>14,266,671</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, 2012**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and Other Local Taxes	\$ 5,243,025	\$ 496,926	\$ 324,724	\$ 6,064,675
Intergovernmental	5,424,556	352,978	1,717,506	7,495,040
Interest	35,746		227	35,973
Tuition and Fees	316,756			316,756
Rent	4,935			4,935
Extracurricular Activities	56,119		184,153	240,272
Gifts and Donations			3,000	3,000
Customer Sales and Services			256,560	256,560
Payments in Lieu of Taxes	54,303			54,303
Miscellaneous	149,378		25,963	175,341
<i>Total Revenues</i>	<u>11,284,818</u>	<u>849,904</u>	<u>2,512,133</u>	<u>14,646,855</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,224,787		195,176	6,419,963
Special	908,402		276,216	1,184,618
Vocational	164,741			164,741
Student Intervention Services	2,265			2,265
Other	27,904			27,904
Support Services:				
Pupils	646,574		234,932	881,506
Instructional Staff	491,426		70	491,496
Board of Education	43,686			43,686
Administration	782,371	596	6,743	789,710
Fiscal	352,592	13,483	9,222	375,297
Operation and Maintenance of Plant	985,576		1,622	987,198
Pupil Transportation	480,635			480,635
Operation of Non-Instructional Services			535,962	535,962
Extracurricular Activities	417,767		191,893	609,660
Capital Outlay			1,370,371	1,370,371
Debt Service:				
Principal		1,315,000		1,315,000
Interest		328,218	34,813	363,031
<i>Total Expenditures</i>	<u>11,528,726</u>	<u>1,657,297</u>	<u>2,857,020</u>	<u>16,043,043</u>
<i>Excess of Expenditures Over Revenues</i>	<u>(243,908)</u>	<u>(807,393)</u>	<u>(344,887)</u>	<u>(1,396,188)</u>
Other Financing Sources:				
Proceeds from Sale of Capital Assets	75			75
<i>Net Change in Fund Balances</i>	<u>(243,833)</u>	<u>(807,393)</u>	<u>(344,887)</u>	<u>(1,396,113)</u>
Fund Balance at Beginning of Year	4,087,505	2,904,222	1,059,403	8,051,130
<i>Fund Balance at End of Year</i>	<u>\$ 3,843,672</u>	<u>\$ 2,096,829</u>	<u>\$ 714,516</u>	<u>\$ 6,655,017</u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ (1,396,113)

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

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

Capital Outlay - Depreciable Capital Assets	1,402,758	
Depreciation	<u>(772,850)</u>	
		629,908

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

Loss on Disposal of Capital Assets		(7,910)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Payments in Lieu of Taxes	(54,303)	
Intergovernmental	(157,679)	
Delinquent Property Taxes	<u>231,595</u>	
		19,613

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		1,315,000
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Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

Capital Appreciation Interest		(100,213)
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Some expenses reported on the statement of activities, such as compensated absences that do not require use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable	<u>(95,893)</u>	
		<u>(95,893)</u>

<i>Change in Net Assets of Governmental Activities</i>		\$ <u><u>364,392</u></u>
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See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL COMPARISON
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property and Other Local Taxes	\$ 5,323,972	\$ 5,323,972	\$ 5,279,338	\$ (44,634)
Intergovernmental	5,445,771	5,445,771	5,423,710	(22,061)
Interest	50,000	50,000	35,746	(14,254)
Tuition and Fees	351,538	351,538	307,235	(44,303)
Rent	4,000	4,000	4,360	360
Gifts and Donations	3,000	3,000		(3,000)
Payments in Lieu of Taxes	54,303	54,303	54,303	
Miscellaneous	6,073	6,073	10,290	4,217
<i>Total Revenues</i>	<u>11,238,657</u>	<u>11,238,657</u>	<u>11,114,982</u>	<u>(123,675)</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,572,499	6,535,635	6,373,911	161,724
Special	974,582	1,042,042	920,295	121,747
Vocational	180,525	180,525	167,306	13,219
Student Intervention Services	11,145	10,188	2,265	7,923
Other	38,996	49,953	30,063	19,890
Support Services:				
Pupils	660,758	662,437	634,183	28,254
Instructional Staff	557,970	530,020	487,119	42,901
Board of Education	65,398	65,060	51,556	13,504
Administration	818,692	818,292	776,153	42,139
Fiscal	369,353	369,453	351,698	17,755
Operation and Maintenance of Plant	1,172,758	1,174,307	1,002,761	171,546
Pupil Transportation	550,687	544,787	481,582	63,205
Extracurricular Activities	380,065	383,873	362,583	21,290
Capital Outlay	15,360	15,360	312	15,048
<i>Total Expenditures</i>	<u>12,368,788</u>	<u>12,381,932</u>	<u>11,641,787</u>	<u>740,145</u>
<i>Excess of Revenues Expenditures Over Revenues</i>	<u>(1,130,131)</u>	<u>(1,143,275)</u>	<u>(526,805)</u>	<u>616,470</u>
Other Financing Sources and Uses:				
Advances In	11,376	11,376	7,750	(3,626)
Proceeds from Sale of Capital Assets	500	500	75	(425)
Refund of Prior Year Expenditures	106,000	106,000	140,515	34,515
Advances Out	(10,000)	(10,000)	(10,000)	
<i>Total Other Financing Sources and Uses</i>	<u>107,876</u>	<u>107,876</u>	<u>138,340</u>	<u>30,464</u>
<i>Net Change in Fund Balances</i>	<u>(1,022,255)</u>	<u>(1,035,399)</u>	<u>(388,465)</u>	<u>646,934</u>
Fund Balance at Beginning of Year	5,003,391	5,003,391	5,003,391	
Prior Year Encumbrances Appropriated	25,607	25,607	25,607	
<i>Fund Balance at End of Year</i>	<u>\$ 4,006,743</u>	<u>\$ 3,993,599</u>	<u>\$ 4,640,533</u>	<u>\$ 646,934</u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 10	\$ 73,062
Investments	<u>55,749</u>	<u>73,062</u>
<i>Total Assets</i>	<u>55,759</u>	<u>73,062</u>
Liabilities		
Current Liabilities:		
Undistributed Monies	<u> </u>	\$ <u>73,062</u>
Net Assets		
Held in Trust for Scholarships	<u>55,759</u>	<u> </u>
<i>Total Net Assets</i>	<u>\$ <u>55,759</u></u>	<u> </u>

See Accompanying Notes to the Basic Financial Statements

ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ <u>287</u>
<i>Change in Net Assets</i>	287
Net Assets Beginning of Year	<u>55,472</u>
Net Assets End of Year	<u><u>\$ 55,759</u></u>

See Accompanying Notes to the Basic Financial Statements

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District is the 388th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 48 classified employees and 88 certified teaching personnel, who provide services to 1,300 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 16, 17, and 18 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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 these levels may only be made by the Board of Education.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2012, investments consisted of federal agency securities, a money market mutual fund, US treasury bills, and nonnegotiable certificates of deposit. Investments in federal securities and US treasury bills are reported at fair value which is based on quoted market prices. The District's money market mutual fund is recorded at the amount reported by Robert W. Baird and Company at June 30, 2012. Nonnegotiable certificates of deposits are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 was \$35,746, which includes \$17,158 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. Unamortized Issuance Costs

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

I. Capital Assets

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

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

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

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

J. Compensated Absences

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Net Assets

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

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

M. Fund Balance

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

N. Interfund Transactions

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

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

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

O. Estimates

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

P. Pass-Through Grants

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

3. ACCOUNTABILITY

At June 30, 2012, the Race to the Top Grant, State Fiscal Stabilization Funds, Title II-A, and Title I special revenue funds, had a deficit fund balances of \$71, \$456, \$594, and \$1,102, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit fund balances; however, this is done when cash is needed rather than when accruals occur.

4. BUDGETARY BASIS OF ACCOUNTING

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	(\$243,833)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2011, Received In Cash FY 2012	347,612
Accrued FY 2012, Not Yet Received in Cash	(452,397)
Expenditure Accruals:	
Accrued FY 2011, Paid in Cash FY 2012	(1,323,939)
Accrued FY 2012, Not Yet Paid in Cash	1,310,135
Eliminate Non-General Fund Activity	(4,101)
Encumbrances Outstanding at Year End (Budget Basis)	(21,942)
Budget Basis	(\$388,465)

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

Investments may only be made through specified dealers and institutions.

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

Deposits

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

Investments

As of June 30, 2012, the District had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>13 to 24 Months</u>	<u>25 to 48 Months</u>
Federal Home Loan Bank (FHLB) Bonds	\$1,204,672	\$299,967	\$904,705	
Federal National Mortgage Association (FNMA) Bonds	1,199,005	449,005		\$750,000
Federal Home Loan Mortgage Association (FHLMA) Bonds	149,870	149,870		
US Treasury Note	149,742		149,742	
US Treasury Bill	299,472	299,472		
Money Market Mutual Fund	6,262	6,262		
Total Investments	\$3,009,023	\$1,204,576	\$1,054,447	\$750,000

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

Investment Type	Moody’s	Standard & Poor’s
Federal Home Loan Bank (FHLB) Bonds	Aaa	AA+
Federal National Mortgage Association (FNMA) Bonds	Aaa	AA+
Federal Home Loan Mortgage Association (FHLMA) Bonds	Aaa	AA+
US Treasury Note	Aaa	AA+
US Treasury Bill	Aaa	A-1+
First American Treasury Obligation Money Market Mutual Fund	Aaa	AA+

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, US Treasury Note, and US Treasury Bill are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the District’s name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers’ acceptances to 25 percent of the interim monies available for investment at any one time. The District’s investment in FHLB Bonds; FNMA Bonds; FHLMA Bonds, US Treasury Notes, and US Treasury Bill, represent 40 percent, 40 percent, 5 percent, 5 percent, and 10 percent, respectively of the District’s total investments.

6. PROPERTY TAXES

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

6. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes for 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 were levied after April 1, 2011, on the assessed values as of December 31, 2010, 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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2012 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 2012 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2012, was \$308,762 in the General Fund, \$37,829 in the Debt Service Fund, and \$43,678 in the Capital Projects Fund. The amount available as an advance at June 30, 2011, was \$345,075 in the General Fund and \$34,943 in the Debt Service Fund, and \$42,326 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$126,870,370	62%	\$126,767,730	64%
Industrial/Commercial	68,806,990	34%	63,776,290	32%
Public Utility	8,474,140	4%	8,607,770	4%
Total Assessed Value	<u>\$204,151,500</u>	<u>100%</u>	<u>\$199,151,790</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$45.10		\$45.26	

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

7. RECEIVABLES

Receivables at June 30, 2012, consisted of accounts (tax abatements, interest, tuition and fees, and miscellaneous), intergovernmental receivables arising from grants, and property taxes. All receivables are considered collectible in full and within one year.

	<u>Amount</u>
Accounts Receivable:	
General Fund	
Tuition and Fees	\$351
Rent	600
Extracurricular	438
Miscellaneous	883
Total General Fund	<u>2,272</u>
Other Governmental Funds	
Extracurricular	<u>300</u>
Total Accounts Receivable	<u><u>\$2,572</u></u>
Intergovernmental Receivable:	
General Fund	\$846
Other Governmental Funds	
Federal Grant Monies	
Jobs Education	21,604
Title I Fund	21,884
Title II-A Fund	36,057
Total Other Governmental Funds	<u>79,545</u>
Total Intergovernmental Receivable	<u><u>\$80,391</u></u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/12</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$583,053	\$139,700	\$9,532	\$713,221
Construction in Progress		1,176,899		1,176,899
Total Nondepreciable Capital Assets	<u>583,053</u>	<u>1,316,599</u>	<u>9,532</u>	<u>1,890,120</u>
Depreciable Capital Assets				
Land Improvements	2,061,183			2,061,183
Buildings and Building Improvements	22,349,279	45,300		22,394,579
Furniture, Fixtures, and Equipment	1,548,477	34,075	8,935	1,573,617
Vehicles	1,055,331	6,784	8,072	1,054,043
Total Depreciable Capital Assets	<u>27,014,270</u>	<u>86,159</u>	<u>17,007</u>	<u>27,083,422</u>
Less Accumulated Depreciation				
Land Improvements	644,209	97,906	4,817	737,298
Buildings and Building Improvements	8,911,790	530,301	8,935	9,433,156
Furniture, Fixtures, and Equipment	832,176	62,582	4,877	889,881
Vehicles	761,017	82,061		843,078
Total Accumulated Depreciation	<u>11,149,192</u>	<u>772,850</u>	<u>18,629</u>	<u>11,903,413</u>
Depreciable Capital Assets, Net	<u>15,865,078</u>	<u>(686,691)</u>	<u>(1,622)</u>	<u>15,180,009</u>
Governmental Activities Capital Assets, Net	<u>\$16,448,131</u>	<u>\$629,908</u>	<u>\$7,910</u>	<u>\$17,070,129</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$441,197
Special	36,605
Vocational	26,992
Support Services:	
Operation and Maintenance of Plant	60,287
Pupil Transportation	70,632
Operation of Non-Instructional Services	4,628
Extracurricular	121,016
Capital Outlay	11,493
Total Depreciation Expense	<u>\$772,850</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

9. RISK MANAGEMENT

A. Property and Liability

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

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2012, the District contracted with the Ohio Casualty Company for property, fleet, violence and liability insurance in the amounts as follows:

Property, blanket building and personal property	\$51,940,000
Inland Marine, computer hardware/software	167,000
Inland Marine, musical instruments	427,759
Inland Marine, miscellaneous equipment	725,524
Inland Marine, audio/visual equipment	167,120
Crime, public employee dishonesty blanket bond	50,000
Crime, forgery and alteration	50,000
Crime, computer fraud	25,000
General Liability, in aggregate	2,000,000
General Liability, per occurrence	1,000,000
General Liability, products/completed operations aggregate	2,000,000
General Liability, personal and advertising injury	1,000,000
General Liability, medical payments	15,000
Employee Benefits Liability, in aggregate	3,000,000
Employee Benefits Liability, per occurrence	1,000,000
Sexual Misconduct and Molestation Liability, in aggregate	1,000,000
Sexual Misconduct and Molestation Liability, per occurrence	1,000,000
School Leaders Errors and Omissions Liability, in aggregate	1,000,000
School Leaders Errors and Omissions Liability, per occurrence	1,000,000
Violent Event Response Coverage	1,000,000
Automobile, single limit	1,000,000
Automobile, uninsured/underinsured	1,000,000
Automobile, medical payments	1,000
Umbrella Liability, in aggregate	2,000,000
Umbrella Liability, in aggregate	2,000,000

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

B. Employee Insurance Benefits Program

Effective January 1, 2012, the Employee Insurance Benefits Consortium was removed from Northern Buckeye Education Council (NBEC) and merged with Optimal Health Initiative Consortium (OHI) to form the Northern Buckeye Health Plan (NBHP), Northwest Division of OHI. Northern Buckeye Education Council no longer acts as fiscal agent for the insurance consortium. 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

9. 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 (See Note 18). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

Effective January 1, 2012 the plan was transferred to Northern Buckeye Health Plan, Northern Division of OHI (NBHP). The NBHP plan is an insurance purchasing pool. The plan is governed by the Northern Buckeye Health Plan and the participating members of the plan. The executive Director of the NBHP coordinates the management and administration of the program

10. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer 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. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 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, 2012, 2011, and 2010 were \$217,702, \$193,820, and \$192,928 respectively; 76 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

10. PENSION AND RETIREMENT PLANS (Continued)

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371 or by calling (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 of 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 years, 2.7 percent for 33 years and so on) until 100 percent 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 member’s account balance.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

10. 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, 2012, 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, 2012, 2011, and 2010 were \$893,494, \$769,374, and \$896,954, respectively; 90 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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, 2012, 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, 2012
(CONTINUED)**

11. EARLY RETIREMENT INCENTIVE PLAN

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

12. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Medicare Part B Plan - The Medicare 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 2012 was \$99.90 for most participants, but could be as high as \$319.70 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 2012, the actuarially required allocation was 0.75 percent of covered payroll. The District's contributions to Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010 were \$12,856, \$12,473 and \$11,473, respectively; 76 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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.

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 2012, the health care allocation is 0.55 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$29,046, \$43,086, and \$7,549, respectively; 25 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

12. POSTEMPLOYMENT BENEFITS (Continued)

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 2012, 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, 2012, 2011, and 2010 were \$68,730, \$59,183, and \$68,996 respectively; 90 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

13. COMPENSATED ABSENCES

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2012 the following changes occurred in obligations reported in the government-wide financial statements:

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/12</u>	<u>Due Within One Year</u>
Series 2002:					
Current interest bonds	\$640,000		\$640,000		
Series 2004					
Current interest bonds	5,855,000			\$5,855,000	\$495,000
Capital appreciation bonds	399,454	\$90,546	490,000		
Unamortized Bond Premium	508,294		49,355	458,939	49,355
Total Series 2004	<u>6,762,748</u>	<u>90,546</u>	<u>539,355</u>	<u>6,313,939</u>	<u>544,355</u>
Qualified School Construction Bonds 2011:					
General obligation bonds	625,000			625,000	
Advance Refunding 2011:					
Current interest bonds	2,650,000		185,000	2,465,000	165,000
Capital appreciation bonds	29,963	19,379		49,342	
Unamortized Bond Premium	145,678		9,712	135,966	9,712
Total Series 2011	<u>2,825,641</u>	<u>19,379</u>	<u>194,712</u>	<u>2,650,308</u>	<u>174,712</u>
Total General obligation bonds	10,853,389	109,925	1,374,067	9,589,247	
Compensated absences payable	963,181	95,893		1,059,074	38,981
Total	<u>\$11,816,570</u>	<u>\$205,818</u>	<u>\$1,374,067</u>	<u>\$10,648,321</u>	<u>\$758,048</u>

School Improvement Replacement Bonds – 2002

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

School Improvement Replacement Bonds – 2004

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

14. LONG-TERM OBLIGATIONS (Continued)

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

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

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

Advance Refunding Bonds – 2011

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

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

The net proceeds of the refunding bond issue, in the amount of \$2,745,701 were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the 2001 School Facilities Construction and Improvement Bonds. As a result, \$2,680,000 of the 2001 School Facilities Construction and Improvement Bonds are considered defeased and the liability for those bonds has been removed from the District's financial statements. At June 30, 2012, \$2,555,000 of this debt was still outstanding.

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

14. LONG-TERM OBLIGATIONS (Continued)

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2012	\$165,000	2.000%
2013	165,000	2.000%
2014	170,000	2.000%
2015	170,000	2.250%
2016	180,000	2.500%
2017	180,000	2.750%
2019	190,000	3.000%
2020	190,000	3.125%
2021	195,000	3.500%
2022	200,000	4.500%
2023	210,000	4.500%
2024	220,000	4.500%
2025	230,000	4.0005

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, 2012 was \$49,342. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$19,379 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 construction and installation of a wind turbine. The bond consisted of \$625,000 general obligation bonds issued in March 2011. The term bonds, with an interest rate of 5.57 percent, were issued for a 15 year period, with final maturity in fiscal year 2027. The bonds are being retired through the Bond Retirement Fund.

In addition to this bond, the District secured a line of credit for \$1,075 million with a local bank to be used as bridge financing for the wind turbine project for expenditures beyond the bond amount of \$625,000. Monies will be drawn as needed and subsequently reimbursed thru ARRA State Energy Plan monies passed through the Ohio Department of Development. The line of credit has a borrowing rate of 5.5 percent and will be due December 1, 2014. The District has not drawn any of the line of credit as of June 30, 2012.

The scheduled payments of principal and interest on debt outstanding at June 30, 2012 are as follows:

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

14. LONG-TERM OBLIGATIONS (Continued)

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$719,067	\$339,270	\$1,058,337
2014	734,067	317,873	1,051,940
2015	754,067	295,112	1,049,179
2016	779,067	270,800	1,049,867
2017	804,067	244,613	1,048,680
2018 – 2022	4,275,065	915,480	5,190,545
2023 – 2027	1,523,847	231,281	1,755,128
Total	<u>\$9,589,247</u>	<u>\$2,614,429</u>	<u>\$12,203,676</u>

15. PAYMENTS IN LIEU OF TAXES

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

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public districts within the boundaries of Defiance, Fulton, Henry, Lucas, Wood, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$87,950. 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Four County Career Center

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

17. RELATED ORGANIZATION

Archbold Community Library

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

18. GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

Effective January 1, 2012, the Employee Insurance Benefits Consortium was removed from Northern Buckeye Education Council (NBEC) and merged with Optimal Health Initiative Consortium (OHI). The new name of the District's local insurance group consortium is Northern Buckeye Health Plan, Northwest Division of OHI. Northern Buckeye Education Council no longer acts as fiscal agent for the insurance consortium.

In fiscal year 2012, the District contributed a total of \$673,103 to Northern Buckeye Education Council for all employee insurance plans. Financial information for the period July 1, 2011 through December 31, 2011 can be obtained from Robin Pfund, Treasurer, at 209 Nolan Parkway, Archbold, OH 43502.

In fiscal year 2012, the District contributed a total of \$517,885 to Northern Buckeye Health Plan, Northwest Division of OHI for all employee insurance plans. Financial information for the period January 1, 2012 through June 30, 2012 can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, OH 45242.

B. Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

18. GROUP PURCHASING POOLS (Continued)

The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$1,287 to the WCGRP to cover the costs of administering the program.

On January 1, 2012 the WCGRP was transferred to Northern Buckeye Health Plan, Northern Division of OHI (NBHP). The NBHP WCGRP is an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Health Plan and the participating members of the WCGRP. The Executive Director of the NBHP coordinates the management and administration of the program.

19. SET-ASIDE CALCULATIONS

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the 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. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011.

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

	<u>Capital Acquisition</u>
Current Year Set-aside Requirement	\$220,525
Current Year Offsets	(453,206)
Qualifying Disbursements	(17,678)
Total	<u>\$(250,359)</u>

20. CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

B. Litigation

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

21. CONTRACTUAL COMMITMENTS

As of June 30, 2012, the District had the following contractual purchase commitment for the wind turbine construction project:

Company	Amount Remaining
Marous Brother's Construction, Inc.	\$828,527
The Renaissance Group	50,000

22. 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:

Fund Balance	General	Bond Retirement Fund	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies			\$14,435	\$14,435
Restricted for:				
Special Instruction			5,888	5,888
Athletics			97,503	97,503
Food Service			57,313	57,313
Operations				
Debt Retirement		\$2,096,829		2,096,829
Wind Turbine Project			169,692	169,692
Total Restricted		2,096,829	330,396	2,427,225
Committed for:				
Permanent Improvements			371,908	371,908
Assigned for:				
Principal Funds	\$36,639			36,639
Encumbrances	12,833			12,831
Total Assigned	49,472			49,472
Unassigned	3,794,200		(2,223)	3,791,977
Total Fund Balance	\$3,843,672	\$2,096,829	\$714,516	\$6,655,017

ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	\$19,544	\$19,544
National School Lunch Program	10.555		
Cash Assistance		165,146	165,146
Non- Cash Assistance (Food Distribution)		76,896	76,896
Total National School Lunch Program		<u>242,042</u>	<u>242,042</u>
Total U.S. Department of Agriculture		<u>261,586</u>	<u>261,586</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
<u>Title I Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	126,246	126,246
ARRA - Title I Grants to Local Educational Agencies	84.389	812	812
Total Title I Cluster		<u>127,058</u>	<u>127,058</u>
Title II-D Technology Grant	84.318	940	940
Improving Teacher Quality State Grants	84.367	22,060	22,080
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394		24,173
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants	84.395	35,788	35,788
Education Jobs Fund	84.410	<u>125,867</u>	<u>125,867</u>
Total U.S. Department of Education		<u>311,713</u>	<u>335,906</u>
U.S. DEPARTMENT OF ENERGY			
<i>Passed Through Ohio Department of Development:</i>			
ARRA - State Energy Program	81.041	<u>604,213</u>	<u>604,213</u>
Totals		<u><u>\$1,177,512</u></u>	<u><u>\$1,201,705</u></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, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Archbold Area Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

Dave Yost
Auditor of State

February 20, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Archbold Area Local School District, Fulton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

In our opinion, Archbold Area Local School District, Fulton County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

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

February 20, 2013

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	State Energy Program – CFDA #81.041
<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?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

ARCHBOLD AREA LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 12, 2013