



Dave Yost • Auditor of State

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Archbold Area Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Archbold Area Local School District, Fulton County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 5 to the financial statements, during the fiscal year ended June 30, 2013, the District adopted the provision of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 6, 2014

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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, 2013. 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 2013 are as follows:

The District retired \$660,000 in general obligation bonds from amounts accumulated in the Bond Retirement Fund.

In total, net position decreased \$489,586. This decrease is attributed to the overall increase in expenditures.

General revenues accounted for \$12,651,308, or 88 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$1,645,977 or 12 percent of total revenues of \$14,297,285.

The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had \$11,194,383 in revenues and \$12,201,921 in expenditures and other financing uses. The General Fund's balance decreased \$1,007,538 from the prior fiscal year. The Bond Retirement Fund had \$871,172 in revenues and \$978,685 in expenditures. The Bond Retirement Fund's balance decreased \$107,513 from the prior fiscal year.

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

Using the Basic Financial Statements

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

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

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

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

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2013. 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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2013 compared to fiscal year 2012.

**Table 1
Net Position
Governmental Activities**

	2013	2012 - Restated
<u>Assets:</u>		
Current and Other Assets	\$13,271,445	\$14,591,614
Capital Assets, Net	17,147,510	17,325,102
Total Assets	30,418,955	31,916,716
<u>Liabilities:</u>		
Current and Other Liabilities	1,587,471	1,330,406
Long-Term Liabilities	9,625,698	10,189,382
Total Liabilities	11,213,169	11,519,788
<u>Deferred Inflows of Resources:</u>	5,868,578	6,570,134
<u>Net Position:</u>		
Net Investment in Capital Assets	8,972,512	8,410,863
Restricted	2,704,630	2,744,789
Unrestricted	1,660,066	2,671,142
Total	\$13,337,208	\$13,826,794

Total assets decreased by \$1,497,761. This decrease in assets is partly due to the retirement of long-term debt.

Total liabilities (including deferred inflows of resources) decreased \$1,008,175, (6 percent). This decrease is due to payments on long-term debt.

Total net position decreased by \$489,586 (3 percent). Net investment in capital assets increased by \$561,649 due to the ongoing construction of the wind turbine and retirement of debt. Restricted net position decreased by \$40,159, due to the retirement of debt issues. Unrestricted net position decreased by \$1,011,076.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

Table 2 reflects the changes in net position for fiscal year 2013 compared to fiscal year 2012.

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

	2013	2012 – Restated
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$877,528	\$818,523
Operating Grants and Contributions	768,449	714,471
Total Program Revenues	1,645,977	1,532,994
General Revenues:		
Property Taxes	6,147,545	6,296,270
Grants and Entitlements	6,351,984	6,622,890
Interest	14,997	35,973
Gifts and Donations	830	3,000
Miscellaneous	135,952	175,341
Proceeds from Sale of Capital Assets		75
Total General Revenues	12,651,308	13,133,549
Total Revenues	14,297,285	14,666,543
<u>Expenses:</u>		
Instruction	8,832,085	8,371,234
Support Services:		
Pupils	874,226	877,662
Instructional Staff	560,538	495,378
Board of Education	43,092	43,686
Administration	790,577	792,732
Fiscal	359,822	375,438
Operation and Maintenance of Plant	1,174,786	1,042,683
Pupil Transportation	551,380	554,373
Central	15,807	
Operational of Non-Instructional Services	510,973	533,243
Extracurricular Activities	724,647	732,513
Capital Outlay		19,965
Interest and Fiscal Charges	348,938	463,244
Total Expenses	14,786,871	14,302,151
Change in Net Position	(489,586)	364,392
Beginning Net Position	13,826,794	13,462,402
Ending Net Position	\$13,337,208	\$13,826,794

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

Program revenues increased by \$112,983 or (7 percent). Variance is due to an increase in operating grants.

General revenues decreased by \$482,241 (less than 4 percent).

Total expenses increased by \$484,720 (less than 4 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>
	2013	2013	2012	2012
Instruction	\$8,832,085	\$8,131,258	\$8,371,234	\$7,840,950
Support Services:				
Pupils	874,226	632,100	877,662	643,958
Instructional Staff	560,538	560,112	495,378	495,378
Board of Education	43,092	43,092	43,686	43,686
Administration	790,577	787,579	792,732	791,288
Fiscal	359,822	359,822	375,438	375,438
Operation and Maintenance of Plant	1,174,786	1,168,200	1,042,683	1,037,748
Pupil Transportation	551,380	551,380	554,373	554,373
Central	15,807	10,407		
Non-Instructional	510,973	44,591	533,243	10,888
Extracurricular Activities	724,647	503,415	732,513	492,241
Capital Outlay			19,965	19,965
Interest and Fiscal Charges	348,938	348,938	463,244	463,244
Total Expenses	<u>\$14,786,871</u>	<u>\$13,140,894</u>	<u>\$14,302,151</u>	<u>\$12,769,157</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 92 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 1 percent from 2012. Bond Retirement Fund revenues increased by less than 3 percent, and expenditures decreased by 41 percent. The decreases are attributed to an advance refunding transaction and the issuance of qualified school construction bonds in fiscal year 2012.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

The net decrease in the General Fund balance for fiscal year 2012 was \$243,833, compared to a net decrease of \$1,007,538 for fiscal year 2013. This was primarily a result of an increase in overall expenditures. The net decrease in the Bond Retirement Fund balance for fiscal year 2012 was \$807,393 compared to net decrease of \$107,513 for fiscal year 2013. This was primarily a result of a decrease in principal payments in fiscal year 2013

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 2013, the District amended its General Fund budget as needed.

Original and final budgeted revenues and other financing sources were \$11,314,199. Actual revenues and other financing sources of \$11,116,069 were less than 2 percent below final budgeted amounts.

Final expenditures and other financing uses were budgeted at \$12,760,170, which was less than 1 percent above the original budget estimates of \$12,712,598. Actual expenditures and other financing uses were \$782,063 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 2013, the District had \$17,147,510 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of 1 percent from the restated beginning of the year amount of \$17,325,102. The decrease was depreciation. For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2013, the District's long-term obligations, which include general obligation bonds payable and compensated absences, were \$8,479,975 down 7 percent from the end of fiscal year 2012 primarily due to the debt service payments made in fiscal year 2013.

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

At June 30, 2013, the District's overall legal debt margin was \$9,161,105, with an un-voted debt margin of \$196,012.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

Current Issues

Archbold is a small rural community of approximately 4,300 people in Northwest Ohio and has a number of small businesses and several industrial manufacturing companies. In the last several years, the economy played an important role to the success of the manufacturing businesses in the area. Agriculture plays an important role in the area as well.

State funding for the District has been a concern as the State's past biennium budgets' have resulted in significant decreases in state resources. Projections from HB 59 include increases in state funding for the district in the next 2 years. With declining valuations the last number of years, this is good news as it appears the funding formula in the current biennium budget recognizes current valuation changes.

The state is re-vamping the Local Report Card. Districts will not be graded until 2015. Under the current grade card format for FY13, the District received grades in 6 categories and the information was very beneficial to district leaders as they learn and adapt to the new report card material.

Archbold School District experienced expenditures in excess of revenue sources for the second year in a row. Administration was able to take advantage of attrition with recent retirees in hopes of reducing expenditures in the immediate future. These changes were necessary to maintain positive cash balances.

Contacting the District's Financial Management

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

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Position
June 30, 2013**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 3,783,545
Cash and Cash Equivalents with Escrow Agents	89,897
Investments	3,009,605
Materials and Supplies Inventory	9,450
Accounts Receivable	28,378
Intergovernmental Receivable	89,943
Taxes Receivable	6,229,447
Revenue in Lieu of Taxes Receivable	31,180
Non-Depreciable Capital Assets	2,392,956
Depreciable Capital Assets, net	14,754,554
<i>Total Assets</i>	<u>30,418,955</u>
Liabilities:	
Accounts Payable	31,487
Accrued Wages and Benefits	1,121,252
Contracts Payable	38,800
Intergovernmental Payable	286,747
Matured Compensated Absences Payable	19,288
Retainage Payable	89,897
Long-Term Liabilities:	
Due Within One Year	891,025
Due in More Than One Year	8,734,673
<i>Total Liabilities</i>	<u>11,213,169</u>
Deferred Inflows of Resources:	
Property Taxes Receivable	<u>5,868,578</u>
Net Position:	
Net Investment in Capital Assets	8,972,512
Restricted for Debt Service	1,995,457
Restricted for Capital Outlay	506,631
Restricted for Other Purposes	202,542
Unrestricted	1,660,066
<i>Total Net Position</i>	<u>\$ 13,337,208</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, 2013**

	Program Revenues		Net Expense and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
			Governmental Activities
Governmental Activities:			
Instruction:			
Regular	\$ 7,381,693	\$ 424,690	\$ 79,052
Special	1,247,427		169,485
Vocational	197,749		27,600
Other	5,216		(5,216)
Support Services:			
Pupils	874,226		242,126
Instructional Staff	560,538		426
Board of Education	43,092		(43,092)
Administration	790,577		2,998
Fiscal	359,822		(359,822)
Operation and Maintenance of Plant	1,174,786	6,586	(1,168,200)
Pupil Transportation	551,380		(551,380)
Central	15,807		5,400
Operation of Non-Instructional Services	510,973	225,020	241,362
Extracurricular Activities	724,647	221,232	(503,415)
Debt Service:			
Interest and Fiscal Charges	348,938		(348,938)
Totals	\$ 14,786,871	\$ 877,528	\$ 768,449
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes			5,305,531
Property Taxes, Levied for Capital Outlay			320,835
Property Taxes, Levied for Debt Service			521,179
Grants and Entitlements not Restricted to Specific Programs			6,351,984
Gifts and Donations			830
Investment Earnings			14,997
Miscellaneous			135,952
Total General Revenues			12,651,308
Change in Net Position			(489,586)
Net Position Beginning of Year - Restated			13,826,794
Net Position End of Year			\$ 13,337,208

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2013**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 840,521	\$ 1,953,875	\$ 989,149	\$ 3,783,545
Cash and Cash Equivalents with Escrow Agents			89,897	89,897
Investments	3,009,605			3,009,605
Materials and Supplies Inventory			9,450	9,450
Accounts Receivable	28,378			28,378
Interfund Receivable	1,465			1,465
Intergovernmental Receivable			89,943	89,943
Taxes Receivable	5,375,493	522,192	331,762	6,229,447
Revenue in Lieu of Taxes Receivable	31,180			31,180
<i>Total Assets</i>	\$ 9,286,642	\$ 2,476,067	\$ 1,510,201	\$ 13,272,910
Liabilities				
Current Liabilities:				
Accounts Payable	7,906		23,581	31,487
Accrued Wages and Benefits	1,062,225		59,027	1,121,252
Contracts Payable			38,800	38,800
Interfund Payable	1,465			1,465
Intergovernmental Payable	268,962		17,785	286,747
Matured Compensated Absences Payable	19,288			19,288
Retainage Payable			89,897	89,897
<i>Total Liabilities</i>	1,359,846		229,090	1,588,936
Deferred Inflows of Resources				
Property Tax Receivable	5,029,479	480,609	286,340	5,796,428
Unavailable Revenue	61,183	6,142	73,188	140,513
<i>Total Deferred Inflows of Resources</i>	5,090,662	486,751	359,528	5,936,941
Fund Balances				
Nonspendable			9,450	9,450
Restricted		1,989,316	372,224	2,361,540
Committed			540,481	540,481
Assigned	49,534			49,534
Unassigned (Deficit)	2,786,600		(572)	2,786,028
<i>Total Fund Balances</i>	2,836,134	1,989,316	921,583	5,747,033
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,286,642	\$ 2,476,067	\$ 1,510,201	\$ 13,272,910

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2013**

Total Governmental Fund Balances	\$	5,747,033
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		17,147,510
Taxes Receivable, and Payments in Lieu of Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		68,363
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(8,479,975)	
Compensated Absences Payable	<u>(1,145,723)</u>	
		<u>(9,625,698)</u>
<i>Net Position of Governmental Activities</i>	\$	<u><u>13,337,208</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, 2013**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Local Taxes	\$ 5,244,347	\$ 515,038	\$ 315,885	\$ 6,075,270
Intergovernmental	5,290,755	356,134	1,441,363	7,088,252
Interest	14,708		289	14,997
Tuition and Fees	424,690			424,690
Rent	6,586			6,586
Extracurricular Activities	51,125		170,107	221,232
Gifts and Donations	145		685	830
Customer Sales and Services			225,020	225,020
Payments in Lieu of Taxes	72,150			72,150
Miscellaneous	89,877		46,075	135,952
<i>Total Revenues</i>	<u>11,194,383</u>	<u>871,172</u>	<u>2,199,424</u>	<u>14,264,979</u>
Expenditures				
Current:				
Instruction:				
Regular	6,773,637		167,076	6,940,713
Special	1,033,822		163,979	1,197,801
Vocational	170,760			170,760
Other	5,216			5,216
Support Services:				
Pupils	639,870		231,322	871,192
Instructional Staff	508,510		12,034	520,544
Board of Education	43,092			43,092
Administration	784,093	638	2,998	787,729
Fiscal	335,833	13,589	8,806	358,228
Operation and Maintenance of Plant	971,925		3,125	975,050
Pupil Transportation	487,579			487,579
Central	10,407		5,400	15,807
Operation of Non-Instructional Services			502,804	502,804
Extracurricular Activities	415,118		215,597	630,715
Capital Outlay	307		666,155	666,462
Debt Service:				
Principal		660,000		660,000
Interest		304,458	34,813	339,271
<i>Total Expenditures</i>	<u>12,180,169</u>	<u>978,685</u>	<u>2,014,109</u>	<u>15,172,963</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(985,786)</u>	<u>(107,513)</u>	<u>185,315</u>	<u>(907,984)</u>
Other Financing Uses:				
Transfers In			21,752	21,752
Transfers Out	(21,752)			(21,752)
<i>Total Other Financing Uses</i>	<u>(21,752)</u>		<u>21,752</u>	
<i>Net Change in Fund Balances</i>	<u>(1,007,538)</u>	<u>(107,513)</u>	<u>207,067</u>	<u>(907,984)</u>
Fund Balances at Beginning of Year	3,843,672	2,096,829	714,516	6,655,017
<i>Fund Balances at End of Year</i>	<u>\$ 2,836,134</u>	<u>\$ 1,989,316</u>	<u>\$ 921,583</u>	<u>\$ 5,747,033</u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ (907,984)

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	558,959	
Depreciation	<u>(736,551)</u>	(177,592)

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	(72,150)	
Intergovernmental	32,181	
Delinquent Property Taxes	<u>72,275</u>	32,306

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

660,000

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

Capital Appreciation Interest	(19,379)	
Amortization of Premium	<u>9,712</u>	(9,667)

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>(86,649)</u>
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Change in Net Position of Governmental Activities \$ (489,586)

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 Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property and Other Local Taxes	\$ 5,322,138	\$ 5,322,138	\$ 5,268,278	\$ (53,860)
Intergovernmental	5,388,636	5,388,636	5,291,601	(97,035)
Interest	30,700	30,700	24,375	(6,325)
Tuition and Fees	453,475	453,475	417,112	(36,363)
Rent	4,000	4,000	6,486	2,486
Gifts and Donations	1,500	1,500	145	(1,355)
Payments in Lieu of Taxes	40,970	40,970	40,970	
Miscellaneous	7,530	7,530	18,025	10,495
<i>Total Revenues</i>	<u>11,248,949</u>	<u>11,248,949</u>	<u>11,066,992</u>	<u>(181,957)</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,860,739	6,847,430	6,559,534	287,896
Special	1,085,750	1,096,627	1,024,970	71,657
Vocational	178,377	177,877	169,982	7,895
Student Intervention Services	5,915	5,915		5,915
Other	41,679	41,679	6,025	35,654
Support Services:				
Pupils	653,077	659,237	642,675	16,562
Instructional Staff	559,886	558,969	515,237	43,732
Board of Education	65,962	64,962	43,383	21,579
Administration	816,207	825,227	796,580	28,647
Fiscal	359,954	360,354	339,442	20,912
Operation and Maintenance of Plant	1,146,696	1,161,786	983,684	178,102
Pupil Transportation	534,354	534,353	501,440	32,913
Extracurricular Activities	381,142	381,142	366,096	15,046
Capital Outlay	15,360	15,360	307	15,053
<i>Total Expenditures</i>	<u>12,705,098</u>	<u>12,730,918</u>	<u>11,949,355</u>	<u>781,563</u>
<i>Excess of Expenditures Over Revenues</i>	<u>(1,456,149)</u>	<u>(1,481,969)</u>	<u>(882,363)</u>	<u>599,606</u>
Other Financing Sources and Uses:				
Advances In	7,500	7,500	7,000	(500)
Proceeds from Sale of Capital Assets	250	250		(250)
Refund of Prior Year Expenditures	57,500	57,500	42,077	(15,423)
Transfers Out		(21,752)	(21,752)	
Advances Out	(7,500)	(7,500)	(7,000)	500
<i>Total Other Financing Sources and Uses</i>	<u>57,750</u>	<u>35,998</u>	<u>20,325</u>	<u>(15,673)</u>
<i>Net Change in Fund Balance</i>	<u>(1,398,399)</u>	<u>(1,445,971)</u>	<u>(862,038)</u>	<u>583,933</u>
Fund Balance at Beginning of Year	4,640,533	4,640,533	4,640,533	
Prior Year Encumbrances Appropriated	21,942	21,942	21,942	
<i>Fund Balance at End of Year</i>	<u>\$ 3,264,076</u>	<u>\$ 3,216,504</u>	<u>\$ 3,800,437</u>	<u>\$ 583,933</u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 10	\$ 68,405
Investments	<u>55,258</u>	
<i>Total Assets</i>	<u>55,268</u>	<u>68,405</u>
Liabilities:		
Current Liabilities:		
Undistributed Monies		<u>\$ 68,405</u>
Net Position:		
Held in Trust for Scholarships	<u>55,268</u>	
<i>Total Net Position</i>	<u>\$ 55,268</u>	<u> </u>

See Accompanying Notes to the Basic Financial Statements

ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY

Statement of Change in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2013

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ 229
Deductions:	
Payments in Accordance with Trust Agreements	<u>720</u>
<i>Change in Net Position</i>	(491)
Net Position Beginning of Year	<u>55,759</u>
Net Position End of Year	<u>\$ 55,268</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, 2013**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District is staffed by 51 classified employees and 88 certified teaching personnel, who provide services to 1,272 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 18, 19, and 20 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.

A. Basis of Presentation

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fiduciary Funds

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The District did not report any deferred outflows of resources for fiscal year 2013.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources consists of property taxes and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes accrued interest, delinquent property taxes, income taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures/Expenses

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

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2013, 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, 2013. Nonnegotiable certificates of deposits are reported at cost.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013, was \$24,373 for the General Fund, which includes \$11,699 assigned from other District funds.

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

G. Inventory

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

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

H. Capital Assets

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Position

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance

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

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

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

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

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

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

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

M. Interfund Transactions

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

N. Estimates

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

3. RESTATEMENT

The beginning balance of the statement of activities was adjusted due to understatement of accumulated depreciation and overstatement of property taxes. The restatement had the follows effect on net position at June 30, 2012:

Statement of Activities

Net Position, June 30, 2012	\$14,266,671
Restatement of Accumulated Depreciation	254,973
Restatement of Property Taxes Accrual	(694,850)
Restated Net Position, June 30, 2012	\$13,826,794

4. ACCOUNTABILITY

At June 30, 2013, the Title I and Jobs Education special revenue funds had deficit fund balances of \$464 and \$108 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

5. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2013, the District implemented Governmental Accounting Standard Board (GASB) Statements No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53", Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of GASB No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. These changes were incorporated in the District's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the District's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

6. 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).

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

6. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	(\$1,007,538)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2012, Received In Cash FY 2013	311,882
Accrued FY 2013, Not Yet Received in Cash	(380,427)
Expenditure Accruals:	
Accrued FY 2012, Paid in Cash FY 2013	(1,169,620)
Accrued FY 2013, Not Yet Paid in Cash	1,400,458
Transfers Net	3,626
Eliminate Non-General Fund Activity	(1,051)
Encumbrances Outstanding at Year End (Budget Basis)	(19,368)
Budget Basis	(\$862,038)

7. 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;

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

7. DEPOSITS AND INVESTMENTS (Continued)

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;
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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

7. DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2013, 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 60 Months</u>
Federal Home Loan Bank (FHLB) Bonds	\$850,401	\$850,401		
US Treasury Note	300,198		\$300,198	
Federal National Mortgage Association (FNMA) Bonds	1,321,546		209,863	\$1,111,683
Federal Home Loan Mortgage Association (FHLMA) Bonds	299,322		149,741	149,581
United States Treasury Money Market Mutual Fund	905	905		
Toyota Motor Credit Commercial Paper	234,655	234,655		
Total Investments	<u>\$3,007,027</u>	<u>\$1,085,961</u>	<u>\$659,802</u>	<u>\$1,261,264</u>

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

7. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in FHLB Bonds; FNMA Bonds; FHLMA Bonds, US Treasury Notes, and Toyota Motor Credit Commercial Paper, represent 28 percent, 44 percent, and 10percent, 10 percent, and 8 percent, respectively of the District's total investments.

8. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes for 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 were levied after April 1, 2012, on the assessed values as of December 31, 2011, 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, 2013, are available to finance fiscal year 2013 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, 2013 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 2013 operations. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2013, was \$284,831 in the General Fund, \$35,441 in the Debt Service Fund, and \$40,472 in the Capital Projects Fund. The amount available as an advance at June 30, 2012, was \$308,762 in the General Fund and \$37,829 in the Debt Service Fund, and \$43,678 in the Capital Projects Fund.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

8. PROPERTY TAXES (Continued)

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$126,767,730	64%	\$126,956,400	65%
Industrial/Commercial	63,776,290	32%	60,023,020	31%
Public Utility	8,607,770	4%	9,032,590	4%
Total Assessed Value	<u>\$199,151,790</u>	<u>100%</u>	<u>\$196,012,010</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$45.26		\$45.61	

9. RECEIVABLES

Receivables at June 30, 2013, consisted of accounts (tax abatements, interest, tuition and fees, and miscellaneous), intergovernmental receivables arising from grants, and property taxes. All receivables are considered collectible in full and within one year.

Accounts Receivable:	<u>Amount</u>
General Fund	
Rent	\$700
Extracurricular	646
Miscellaneous	<u>27,032</u>
Total Accounts Receivable	<u>\$28,378</u>
 Intergovernmental Receivable:	
Title I Fund	\$32,569
Title II-A Fund	<u>57,374</u>
Total Intergovernmental Receivable	<u>\$89,943</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

10. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance at 06/30/12</u>	<u>Adjustments</u>	<u>Restated Balance at 6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/13</u>
Governmental Activities						
Nondepreciable Capital Assets						
Land	\$713,221		\$713,221			\$713,221
Construction in Progress	1,176,899		1,176,899	\$502,836		1,679,735
Total Nondepreciable Capital Assets	<u>1,890,120</u>		<u>1,890,120</u>	<u>502,836</u>		<u>2,392,956</u>
Depreciable Capital Assets						
Land Improvements	2,061,183		2,061,183			2,061,183
Buildings and Building Improvements	22,394,579		22,394,579			22,394,579
Furniture, Fixtures, and Equipment	1,573,617		1,573,617	56,123	\$3,395	1,626,345
Vehicles	1,054,043		1,054,043			1,054,043
Total Depreciable Capital Assets	<u>27,083,422</u>		<u>27,083,422</u>	<u>56,123</u>	<u>3,395</u>	<u>27,136,150</u>
Less Accumulated Depreciation						
Land Improvements	737,298	\$15,882	753,180	97,699		850,879
Buildings and Building Improvements	9,433,156	(794)	9,432,362	499,740		9,932,102
Furniture, Fixtures, and Equipment	889,881	(9,952)	879,929	61,190	3,395	937,724
Vehicles	843,078	(260,109)	582,969	77,922		660,891
Total Accumulated Depreciation	<u>11,903,413</u>	<u>(254,973)</u>	<u>11,648,440</u>	<u>736,551</u>	<u>3,395</u>	<u>12,381,596</u>
Depreciable Capital Assets, Net	<u>15,180,009</u>	<u>254,973</u>	<u>15,434,982</u>	<u>(680,428)</u>		<u>14,754,554</u>
Governmental Activities Capital Assets, Net	<u>\$17,070,129</u>	<u>\$254,973</u>	<u>\$17,325,102</u>	<u>(\$177,592)</u>		<u>\$17,147,510</u>

The accumulated depreciation amounts for certain assets were based on incorrect useful lives. A change was made to useful lives and accumulated depreciation amounts at July 1, 2012.

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

10. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$439,301
Special	36,605
Vocational	26,992
Support Services:	
Operation and Maintenance of Plant	28,814
Pupil Transportation	66,567
Operation of Non-Instructional Services	3,792
Extracurricular	122,095
Capital Outlay	12,385
Total Depreciation Expense	\$736,551

11. 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 2013, the District contracted with the Hylant Group, Ohio School Plan for property, fleet, violence and liability insurance in the amounts as follows:

Property, blanket building and personal property	\$53,840,000
Inland Marine, computer hardware/software	Included above
Inland Marine, musical instruments	Included above
Inland Marine, miscellaneous equipment	Included above
Inland Marine, audio/visual equipment	Included above
Crime, public employee dishonesty blanket bond	50,000
Crime, forgery and alteration	50,000
Crime, computer fraud	50,000
General Liability, in aggregate	5,000,000
General Liability, per occurrence	3,000,000
General Liability, products/completed operations aggregate	3,000,000
General Liability, personal and advertising injury	3,000,000
General Liability, medical payments	10,000
Employee Benefits Liability, in aggregate	5,000,000
Employee Benefits Liability, per occurrence	3,000,000
Sexual Misconduct and Molestation Liability, in aggregate	5,000,000
Sexual Misconduct and Molestation Liability, per occurrence	3,000,000
School Leaders Errors and Omissions Liability, in aggregate	5,000,000
School Leaders Errors and Omissions Liability, per occurrence	3,000,000
Violent Event Response Coverage	1,000,000

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

11. RISK MANAGEMENT (Continued)

Automobile, single limit	3,000,000
Automobile, uninsured/underinsured	1,000,000
Automobile, medical payments	5,000
Umbrella Liability, in aggregate	18,000,000
Umbrella Liability, in aggregate	23,000,000

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

B. Employee Insurance Benefits Program

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

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 20). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

12. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

12. PENSION AND RETIREMENT PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The current District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The District's required contribution to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$233,739, \$217,702, and \$193,820 respectively; 52 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

12. PENSION AND RETIREMENT PLANS (Continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance payable for life is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years or credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years service credit (including Ohio-valued purchased credit times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 year, 2.7 percent for 33 years and so on) until 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.

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

12. PENSION AND RETIREMENT PLANS (Continued)

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, 2013, 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, 2013, 2012, and 2011 were \$912,613, \$893,494, and \$769,374, respectively; 80 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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, 2013, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

13. 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.

14. 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

14. POSTEMPLOYMENT BENEFITS (Continued)

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 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. The District's contributions to Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$13,204, \$12,856 and \$12,473, respectively; 52 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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 2013, the health care allocation is .016 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned health care for the years ended June 30, 2013, 2012, and 2011 were \$26,208, \$29,046, and \$43,086, respectively; 6 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

14. POSTEMPLOYMENT BENEFITS (Continued)

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 2013, 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, 2013, 2012, and 2011 were \$70,201, \$68,730, and \$59,183 respectively; 86 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

15. 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, 2013
(CONTINUED)**

16. LONG-TERM OBLIGATIONS

During the year ended June 30, 2013 the following changes occurred in obligations reported in the government-wide financial statements:

	<u>Balance at 6/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/13</u>	<u>Due Within One Year</u>
Series 2004					
Current interest bonds	\$5,855,000		\$495,000	\$5,360,000	\$510,000
School Construction Bond 2011	625,000			625,000	
Advance Refunding 2011:					
Current interest bonds	2,465,000		165,000	2,300,000	165,000
Capital appreciation bonds	49,342	\$19,379		68,721	
Unamortized Bond Premium	135,966		9,712	126,254	9,712
Total Series 2011	<u>2,650,308</u>	<u>19,379</u>	<u>174,712</u>	<u>2,494,975</u>	<u>174,912</u>
Total General obligation bonds	9,130,308	19,379	669,712	8,479,975	684,712
Compensated absences payable	1,059,074	86,649		1,145,723	206,313
Total	<u>\$10,189,382</u>	<u>\$106,028</u>	<u>\$669,712</u>	<u>\$9,625,698</u>	<u>\$891,025</u>

School Improvement Replacement Bonds – 2004

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

The refunding bonds were issued on August 17, 2004. The bonds consisted of \$6,635,000 in current interest serial bonds and \$729,797 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, 2013
(CONTINUED)**

16. 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.

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

16. 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	\$165,000	2.000%
2014	170,000	2.000%
2015	170,000	2.250%
2016	180,000	2.500%
2017	180,000	2.750%
2019	190,000	3.000%
2020	190,000	3.125%
2021	195,000	3.500%
2022	200,000	4.500%
2023	210,000	4.500%
2024	220,000	4.500%
2025	230,000	4.000%

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

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

The value of the capital appreciation bonds reported at June 30, 2013 was \$68,721. 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, 2013.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

16. LONG-TERM OBLIGATIONS (Continued)

The scheduled payments of principal and interest on debt outstanding at June 30, 2013 are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$684,712	\$317,873	\$1,002,585
2015	704,712	295,112	999,824
2016	729,712	270,800	1,000,512
2017	754,712	244,613	999,325
2018	779,712	216,492	996,204
2019 – 2023	3,512,281	749,003	4,261,284
2024 – 2027	1,314,134	164,419	1,478,553
Total	<u>\$8,479,975</u>	<u>\$2,258,312</u>	<u>\$10,738,287</u>

17. 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.

18. 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 \$123,812. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

18. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Northern Buckeye Education Council

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

C. Four County Career Center

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

19. 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

20. GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

The District participates in a group health insurance pool through the Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities throughout the state. The Pool is governed by OHI and its participating members. The District contributed a total of \$1,267,339 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, Ohio 45242.

B. Workers' Compensation Group Rating Plan

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

Optimal Health Initiatives has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$1,327 to WCGRP to cover the costs of administering the program.

21. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Capital Acquisition
Current Year Set-aside Requirement	<u>\$215,021</u>
Current Year Offsets	(417,700)
Qualifying Disbursements	<u>(51,571)</u>
Total	<u><u>(254,250)</u></u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

22. 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, 2013.

B. Litigation

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

23. CONTRACTUAL COMMITMENTS

As of June 30, 2013, the District had the following contractual purchase commitment for the wind turbine construction project:

Company	Amount Remaining
Marous Brother's Construction, Inc.	\$226,436

24. 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			\$9,450	\$9,450
Total Nonspendable			9,450	9,450
Restricted for:				
Special Instruction			691	691
Athletics			98,773	98,773
Food Service Operations			25,962	25,962
Debt Retirement		\$1,989,316		1,989,316
Wind Turbine Project			246,798	246,798
Total Restricted		1,989,316	372,224	2,361,540
Committed for:				
Permanent Improvements			540,481	540,481

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

24. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assigned for:				
School Supplies	\$3,792			\$3,792
Principal Funds	33,721			33,721
Encumbrances	12,021			12,021
Total Assigned	<u>49,534</u>			<u>49,534</u>
Unassigned	2,786,600		\$(572)	2,786,028
Total Fund Balance	<u>\$2,836,134</u>	<u>\$1,989,316</u>	<u>\$921,583</u>	<u>\$5,747,033</u>

25. INTERFUND TRANSFERS

During fiscal year 2013, the General Fund made transfers to other governmental funds, in the amount of \$21,752, to subsidize various programs in other funds.

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ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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	\$21,362	\$21,362
National School Lunch Program	10.555		
Cash Assistance		152,319	152,319
Non- Cash Assistance (Food Distribution)		63,599	63,599
Total National School Lunch Program		<u>215,918</u>	<u>215,918</u>
Total U.S. Department of Agriculture		<u>237,280</u>	<u>237,280</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	221,879	221,879
Special Education Preschool Grants	84.173	9,443	9,443
Total Special Education Cluster		<u>231,322</u>	<u>231,322</u>
English Language Acquisition State Grants	84.365	2,633	2,633
Title I Grants to Local Educational Agencies	84.010	166,971	167,214
Education Jobs Fund	84.410	21,604	21,604
Improving Teacher Quality State Grants	84.367	40,094	38,484
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants	84.395	<u>21,064</u>	<u>21,064</u>
Total U.S. Department of Education		<u>483,688</u>	<u>482,321</u>
U.S. DEPARTMENT OF ENERGY			
<i>Passed Through Ohio Department of Development</i>			
ARRA - State Energy Program	81.041	<u>600,787</u>	<u>600,787</u>
Total Federal Awards Receipts and Expenditures		<u>\$1,321,755</u>	<u>\$1,320,388</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, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The amounts passed through to subrecipients were \$233,955.

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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Archbold Area Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2014 wherein we noted the District implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

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

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

February 6, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Archbold Area Local School District's, Fulton County, Ohio (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion Archbold Area Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 6, 2014

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

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

FINDING NUMBER 2013-001

Material Weakness – GASB 63 and 65 implementation

Government Accounting Standard Board (GASB) Statement 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures.

**FINDING NUMBER 2013-001
(Continued)**

Furthermore, **GASB Statement 65**, "Items Previously Reported as Assets and Liabilities". properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

GASB 63 states property amounts which will be received in future periods should be recognized as deferred as inflows of resources. These amounts were recorded as deferred revenues. Adjustments were made to the Statement of Net Assets, \$5,868,578, General Fund \$5,090,662, Bond Retirement Fund, 486,751 and Other Governmental funds, \$359,528 to move these from deferred revenues.

GASB 65, notes bond issuance costs should be expensed when incurred, previously these costs were amortized by the life of the issue as a deferred charge. An adjustment was made to the Statement of Net Assets, \$409,584, to move these from a deferred charge.

We recommend the District review the latest GASB bulletins and implement all required accounting pronouncements.

FINDING NUMBER 2013-002

Material Weakness – GASB 54 Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. When appropriation measures are adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource (appropriated for general fund uses or appropriations exceed estimated receipts), then that portion of fund balance should be classified as assigned.

An assigned fund balance for a budgetary resource was reported even though fiscal year 2014 estimated receipts exceed the temporary appropriations that were passed by the Board of Education. An adjustment was recorded to the 2013 financial statements to classify assigned fund balance of \$1,195,133 as unassigned.

In order to ensure the District's governmental fund balances are reported in accordance with GASB 54, we recommend the District review Auditor of State Bulletin 2011-004.

Officials' Response:

Management acknowledges these findings and takes responsibility to report the District's financials in accordance with GASB 63, 65 and 54. Furthermore, Management will take this opportunity to address the importance with the entity hired by the District to compile the GAAP financials.

3. FINDINGS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on April 16, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

February 6, 2014

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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
FEBRUARY 25, 2014**