



Dave Yost • Auditor of State

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	18
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds	19
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – General Fund	21
Statement of Fiduciary Net Position –Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	23
Notes to the Financial Statements	24
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability – School Employees Retirement System of Ohio – Last Two Fiscal Years	59
Schedule of the District's Proportionate Share of the Net Pension Liability – State Teachers Retirement System of Ohio – Last Two Fiscal Years.....	60
Schedule of the District Contributions – School Employees Retirement System of Ohio	61
Schedule of the District Contributions – State Teachers Retirement System of Ohio.....	62
Federal Awards Receipts and Expenditures Schedule	63
Notes to the Federal Awards Receipts and Expenditures Schedule	64

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	65
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	67
Schedule of Findings.....	69
Schedule of Prior Audit Findings.....	73



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, 2015, 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, 2015, and the respective changes in financial position and the budgetary comparison for the General fund 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 4 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Management has omitted years three through ten of the schedule of pension contributions accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

The Federal Award 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.

Other Matters – (Continued)

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 March 3, 2016, 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.



Dave Yost
Auditor of State

Columbus, Ohio

March 3, 2016

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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, 2015. 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 2015 are as follows:

The District retired \$5,070,000 in general obligation bonds from amounts accumulated in the Bond Retirement Fund. The District received \$4,315,000 in refunding bonds and \$785,967 in notes.

In total, net position increased \$378,448. This increase is attributed to a combination of increases in property taxes, grants and entitlements revenue and reduction of operation and maintenance of plant expenses from 2014.

General revenues accounted for \$13,012,379, or 87 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$1,909,572 or 13 percent of total revenues of \$14,921,951.

The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had \$12,453,184 in revenues and other financing sources and \$11,960,970 in expenditures and other financing uses. The General Fund's balance increased \$492,214 from the prior fiscal year. The Bond Retirement Fund had \$5,448,007 in revenues and other financing sources and \$5,445,140 in expenditures and other financing uses. The Bond Retirement Fund's balance increased \$2,867 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 major funds.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2015. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The General Fund 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 yearend 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, 2015
UNAUDITED
(Continued)**

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

**Table 1
Net Position
Governmental Activities**

	2015	2014
Assets		
Current and Other Assets	\$13,654,597	\$12,369,430
Capital Assets	16,185,924	16,897,002
Total Assets	<u>29,840,521</u>	<u>29,266,432</u>
Deferred Outflows of Resources		
Pension	1,110,204	1,071,066
Total Deferred Outflows of Resources	<u>1,110,204</u>	<u>1,071,066</u>
Liabilities		
Current and Other Liabilities	1,516,348	1,924,249
Long-Term Liabilities :		
Due Within One Year	994,510	758,422
Due Within More Than One Year:		
Net Pension Liability	15,498,440	18,422,433
Other Amounts	8,128,154	8,078,725
Total Liabilities	<u>26,137,452</u>	<u>29,183,829</u>
Deferred Inflows of Resources		
Property Taxes	6,259,873	5,790,989
Pension	2,812,272	
Total Deferred Inflows of Resources	<u>9,072,145</u>	<u>5,790,989</u>
Net Position		
Net Investment in Capital Assets	8,491,555	9,147,497
Restricted	1,843,546	2,109,578
Unrestricted	<u>(14,593,973)</u>	<u>(15,894,395)</u>
Total Net Position	<u>(\$4,258,872)</u>	<u>(\$4,637,320)</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$12,714,047 to (\$4,637,320).

Total assets (including deferred outflows of resources) increased by \$613,227 (2.0 percent). This increase in assets is primarily due to the increase in taxes receivable (\$485,292) related to increased assessed property values.

Total liabilities (including deferred inflows of resources) increased \$234,779 (.7 percent). This increase is due primarily due to the increase in deferred revenues related to the taxes receivable increase.

As previously stated, total net position increased by \$378,448 (8.2 percent) mainly due to increased revenues (property taxes and unrestricted grants and entitlements).

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

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

	<u>2015</u>	<u>2014</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$1,112,930	\$922,420
Operating Grants and Contributions	796,642	971,446
Capital Grants and Contributions		32,306
Total Program Revenues	<u>1,909,572</u>	<u>1,926,172</u>
General Revenues:		
Property Taxes	6,545,178	6,311,099
Grants and Entitlements	6,306,972	6,013,656
Interest	28,790	36,282
Gifts and Donations	2,504	131,516
Miscellaneous	124,880	71,586
Proceeds from Sale of Capital Assets	4,055	1,174
Total General Revenues	<u>13,012,379</u>	<u>12,565,313</u>
Total Revenues	<u>14,921,951</u>	<u>14,491,485</u>
<u>Expenses:</u>		
Instruction	8,299,073	8,428,608
Support Services:		
Pupils	991,075	935,275
Instructional Staff	401,836	505,866
Board of Education	53,541	30,616
Administration	744,905	744,298
Fiscal	356,082	357,446
Operation and Maintenance of Plant	1,394,023	1,839,122
Pupil Transportation	500,227	525,547
Central	176,317	228,226
Operational of Non-Instructional Services	473,447	487,859
Extracurricular Activities	772,089	704,241
Debt Service:		
Issuance Costs	98,585	
Interest and Fiscal Charges	282,203	327,542
Total Expenses	<u>14,543,503</u>	<u>15,114,646</u>
Change in Net Position	378,448	(623,161)
Beginning Net Position	(4,637,320)	N/A
Ending Net Position	<u>(\$4,258,872)</u>	<u>(\$4,637,320)</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,154,707 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$812,843. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$14,543,503
Pension expense under GASB 68	(812,843)
2015 contractually required contribution	963,702
Adjusted 2015 program expenses	<u>14,694,362</u>
Total 2014 program expenses under GASB 27	<u>15,114,646</u>
Decrease in program expenses not related to pension	<u><u>\$420,284</u></u>

Program revenues decreased by \$16,600 or (less than 1 percent).

General revenues increased by \$447,066 (3.6 percent).

Total expenses decreased by \$571,143 (3.8 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

**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>
	2015	2015	2014	2014
Instruction	\$8,299,073	\$7,475,476	\$8,428,608	\$7,622,766
Support Services:				
Pupils	991,075	773,427	935,275	707,809
Instructional Staff	401,836	401,836	505,866	298,987
Board of Education	53,541	53,541	30,616	30,616
Administration	744,905	744,905	744,298	743,993
Fiscal	356,082	356,082	357,446	356,688
Operation and Maintenance of Plant	1,394,023	1,353,215	1,839,122	1,835,996
Pupil Transportation	500,227	500,227	525,547	525,547
Central	176,317	170,917	228,226	212,972
Non-Instructional	473,447	(32,844)	487,859	44,925
Extracurricular Activities	772,089	456,261	704,241	480,633
Debt Service:				
Issuance Costs	98,585	98,585		
Interest and Fiscal Charges	282,303	282,303	327,542	327,542
Total Expenses	<u>\$14,543,503</u>	<u>\$12,633,931</u>	<u>\$15,114,646</u>	<u>\$13,188,474</u>

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

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Bond Retirement Fund. General Fund revenues and other financing sources increased by 6 percent from 2014. Bond Retirement Fund revenues and other financing sources increased by 479 percent, and expenditures increased by less than 445 percent.

The net decrease in the General Fund balance for fiscal year 2014 was \$254,655, compared to a net increase of \$492,214 for fiscal year 2015. This was primarily a result of an increase in overall revenues. The net decrease in the Bond Retirement Fund balance for fiscal year 2014 was \$56,289 compared to net increase of \$2,867 for fiscal year 2015. This was primarily a result of an increase in property and local taxes in fiscal year 2015.

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 2015, the District amended its General Fund budget as needed.

Final and the original budgeted revenues and other financing sources were \$12,640,634. Actual revenues and other financing sources of \$13,155,925 were 4 percent above final budgeted amounts.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Final expenditures and other financing uses were budgeted at \$12,759,358, which was more than 18 percent above the original budget estimates of \$10,727,728. Actual expenditures and other financing uses were \$848,742 or 7 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 2015, the District had \$16,185,924 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of 4 percent from the beginning of the year amount of \$16,897,002. 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, 2015, the District's long-term obligations, which include general obligation bonds payable, compensated absences and net pension liabilities, were \$24,621,104, down 10 percent from the end of fiscal year 2014 primarily due to the reduction in the net pension liability in fiscal year 2015.

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

The 2011 advance refunding bonds have a final maturity on December 1, 2025. The bonds are being retired through the Bond Retirement Fund.

The 2014 advance refunding bonds have a final maturity on December 1, 2021. The bonds are being retired through the Bond Retirement Fund.

The Ohio Development Services Agency Loan has a final maturity of January 1, 2030. The loan is being retired through the Bond Retirement Fund.

At June 30, 2015, the District's overall legal debt margin was \$12,055,846, with an un-voted debt margin of \$221,235.

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

Current Issues

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

Archbold Local School District became a capped district in state funding as a result of the funding formula in HB 59. The District was limited in increases in funding and capped at 6.25% increase in FY'14 and 10.5% increase in 2015. Essentially, the District's funding was reduced from the calculation in HB 59. The assessed valuation component in the funding formula played a major role in the increased state

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

funding.

The state will publish the 2015 Ohio School Report Cards in January 2016. There will be a total of 10 A-F grades for 2014-2015. The 10 measures are under the following five components that will receive grade; Achievement, Gap Closing, Progress, Graduation Rate, K-3 Literacy and a report only for Prepared for Success.

Archbold Local School District's general fund cash reserves increased during FY'15, however, the District continues to monitor the finances in a prudent manner.

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Position
June 30, 2015**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 6,851,806
Materials and Supplies Inventory	14,942
Accrued Interest Receivable	1
Accounts Receivable	6,869
Intergovernmental Receivable	41,757
Taxes Receivable	6,715,317
Revenue in Lieu of Taxes Receivable	23,905
Non-Depreciable Capital Assets	713,221
Depreciable Capital Assets, net	<u>15,472,703</u>
<i>Total Assets</i>	<u>29,840,521</u>
 Deferred Outflows of Resources:	
Pension	<u>1,110,204</u>
 Liabilities:	
Accounts Payable	46,109
Accrued Wages and Benefits	1,137,749
Intergovernmental Payable	305,802
Matured Compensated Absences Payable	26,688
Long-Term Liabilities:	
Due Within One Year	994,510
Other amounts due in more than one year	
Due in More Than One Year	8,128,154
Net Pension Liability	<u>15,498,440</u>
<i>Total Liabilities</i>	<u>26,137,452</u>
 Deferred Inflows of Resources:	
Property Taxes Receivable	6,259,873
Pension	<u>2,812,272</u>
<i>Total Deferred Inflows of Resources</i>	<u>9,072,145</u>
 Net Position:	
Net Investment in Capital Assets	8,491,555
Restricted for Debt Service	1,657,516
Restricted for Capital Outlay	8,821
Restricted for Other Purposes	177,209
Unrestricted	<u>(14,593,973)</u>
<i>Total Net Position</i>	<u>\$ (4,258,872)</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, 2015**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 6,781,829	\$ 557,474	\$ 2,912	\$ (6,221,443)
Special	1,343,830	17,327	132,963	(1,193,540)
Vocational	160,495		112,921	(47,574)
Student Intervention Services	2,045			(2,045)
Other	10,874			(10,874)
Support Services:				
Pupils	991,075		217,648	(773,427)
Instructional Staff	401,836			(401,836)
Board of Education	53,541			(53,541)
Administration	744,905			(744,905)
Fiscal	356,082			(356,082)
Operation and Maintenance of Plant	1,394,023	40,808		(1,353,215)
Pupil Transportation	500,227			(500,227)
Central	176,317		5,400	(170,917)
Operation of Non-Instructional Services	473,447	268,847	237,444	32,844
Extracurricular Activities	772,089	228,474	87,354	(456,261)
Debt Service:				
Issuance Costs	98,585			(98,585)
Interest and Fiscal Charges	282,303			(282,303)
Totals	\$ 14,543,503	\$ 1,112,930	\$ 796,642	\$ (12,633,931)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	5,642,464
Property Taxes, Levied for Capital Outlay	363,063
Property Taxes, Levied for Debt Service	539,651
Grants and Entitlements not Restricted to Specific Programs	6,306,972
Gifts and Donations	2,504
Investment Earnings	28,790
Miscellaneous	124,880
Proceeds from Sale of Capital Assets	4,055
Total General Revenues	13,012,379
<i>Change in Net Position</i>	378,448
Net Position Beginning of Year - Restated	(4,637,320)
Net Position End of Year	\$ (4,258,872)

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2015**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,916,306	\$ 1,881,647	\$ 1,053,853	\$ 6,851,806
Materials and Supplies Inventory			14,942	14,942
Accrued Interest Receivable	1			1
Accounts Receivable	3,999		2,870	6,869
Interfund Receivable	20,500			20,500
Intergovernmental Receivable			41,757	41,757
Taxes Receivable	5,828,994	522,874	363,449	6,715,317
Revenue in Lieu of Taxes Receivable	23,905			23,905
<i>Total Assets</i>	<u>\$ 9,793,705</u>	<u>\$ 2,404,521</u>	<u>\$ 1,476,871</u>	<u>\$ 13,675,097</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 16,083		\$ 30,026	46,109
Accrued Wages and Benefits	1,080,780		56,969	1,137,749
Interfund Payable			20,500	20,500
Intergovernmental Payable	285,536		20,266	305,802
Matured Compensated Absences Payable	26,688			26,688
<i>Total Liabilities</i>	<u>1,409,087</u>	<u></u>	<u>127,761</u>	<u>1,536,848</u>
Deferred Inflow of Resources:				
Property Taxes Receivable	5,257,771	\$ 463,681	288,278	6,009,730
Unavailable Revenue	53,154	4,946	21,056	79,156
<i>Total Deferred Inflows of Resources</i>	<u>5,310,925</u>	<u>468,627</u>	<u>309,334</u>	<u>6,088,886</u>
Fund Balances:				
Nonspendable			14,942	14,942
Restricted		1,935,894	154,916	2,090,810
Committed			871,936	871,936
Assigned	64,391			64,391
Unassigned (Deficit)	3,009,302		(2,018)	3,007,284
<i>Total Fund Balances</i>	<u>3,073,693</u>	<u>1,935,894</u>	<u>1,039,776</u>	<u>6,049,363</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 9,793,705</u>	<u>\$ 2,404,521</u>	<u>\$ 1,476,871</u>	<u>\$ 13,675,097</u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2015**

Total Governmental Fund Balances	\$	6,049,363
<p>Amounts reported for governmental activities on the statement of net position are different because of the following:</p>		
Unamortized premiums on bonds issued are not recognized in the funds.		(176,494)
<p>The net pension liability is not due in the current period therefore, the liability and related deferree inflows/outflows are not reported in governmental funds:</p>		
Deferred Outflows - Pension	1,110,204	
Deferred Inflows - Pension	(2,812,272)	
Net Pension Liability	(15,498,440)	(17,200,508)
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		16,185,924
Taxes Receivable, and Payments in Lieu of Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		(170,987)
<p>Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:</p>		
General Obligation Bonds Payable	(7,855,278)	
Compensated Absences Payable	(1,090,892)	
		(8,946,170)
<i>Net Position of Governmental Activities</i>	\$	(4,258,872)

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, 2015**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and Other Local Taxes	\$ 5,720,964	\$ 539,513	\$ 362,595	\$ 6,623,072
Intergovernmental	5,930,135	357,160	785,779	7,073,074
Interest	26,854		1,984	28,838
Tuition and Fees	543,308			543,308
Rent	40,808			40,808
Extracurricular Activities	57,438		171,036	228,474
Gifts and Donations	2,504		80,054	82,558
Customer Sales and Services	23,993		276,347	300,340
Payments in Lieu of Taxes	23,951			23,951
Miscellaneous	79,174		54,199	133,373
<i>Total Revenues</i>	<u>12,449,129</u>	<u>896,673</u>	<u>1,731,994</u>	<u>15,077,796</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,240,129		162,288	6,402,417
Special	1,178,495		140,729	1,319,224
Vocational	134,347			134,347
Student Intervention Services	2,045			2,045
Other	10,874			10,874
Support Services:				
Pupils	796,423		217,648	1,014,071
Instructional Staff	354,771		9,143	363,914
Board of Education	40,116		13,425	53,541
Administration	746,215		3,555	749,770
Fiscal	335,775	13,519	8,697	357,991
Operation and Maintenance of Plant	937,854		18,863	956,717
Pupil Transportation	445,934			445,934
Central	150,434		13,000	163,434
Operation of Non-Instructional Services			475,113	475,113
Extracurricular Activities	444,528		226,715	671,243
Capital Outlay	2,056		411,317	413,373
Debt Service:				
Principal		745,000		745,000
Interest		172,583	34,813	207,396
Issuance Costs		98,585		98,585
<i>Total Expenditures</i>	<u>11,819,996</u>	<u>1,029,687</u>	<u>1,735,306</u>	<u>14,584,989</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>629,133</u>	<u>(133,014)</u>	<u>(3,312)</u>	<u>492,807</u>
Other Financing Sources and Uses:				
Transfers In		34,626	106,348	140,974
Refunding Bonds Issued		4,315,000		4,315,000
Premium on Refunding Bonds Issued		201,708		201,708
Energy Conservation Notes Issued			785,967	785,967
Proceeds from Sale of Capital Assets	4,055			4,055
Transfers Out	(140,974)			(140,974)
Payments to Refunded Bond Escrow Agent		(4,415,453)		(4,415,453)
<i>Total Other Financing Sources and Uses</i>	<u>(136,919)</u>	<u>135,881</u>	<u>892,315</u>	<u>891,277</u>
<i>Net Change in Fund Balances</i>	<u>492,214</u>	<u>2,867</u>	<u>889,003</u>	<u>1,384,084</u>
Fund Balances at Beginning of Year	2,581,479	1,933,027	150,773	4,665,279
<i>Fund Balances at End of Year</i>	<u>\$ 3,073,693</u>	<u>\$ 1,935,894</u>	<u>\$ 1,039,776</u>	<u>\$ 6,049,363</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2015**

Net Change in Fund Balances - Total Governmental Funds	\$	1,384,084
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		963,702
Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the statement of activities.		(812,843)
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 depreciation exceeds capital outlay in the current year.		
Capital Outlay - Depreciable Capital Assets	37,518	
Depreciation	<u>(747,596)</u>	(710,078)
The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.		
Loss on Disposal of Capital Assets		(1,000)
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	(23,951)	
Intergovernmental	(58,055)	
Delinquent Property Taxes	<u>(77,894)</u>	(159,900)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		745,000
Other financing sources in the governmental funds increase long-term liabilities in the statement of net position:		
Refunding bonds issued	(4,315,000)	
Energy conservation notes issued	<u>(785,967)</u>	(5,100,967)
Payment to refunding bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position		4,325,000
Premiums on bonds are amortized over the life of the issuance in the statement of activities		(176,494)
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	(19,380)	
Amortization of Premium	<u>9,712</u>	(9,668)
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>(68,388)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>378,448</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 Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property and Other Local Taxes	\$ 5,355,000	\$ 5,355,000	\$ 5,624,505	\$ 269,505
Intergovernmental	5,870,678	5,870,678	5,957,499	86,821
Interest	21,000	21,000	20,103	(897)
Tuition and Fees	496,460	496,460	533,778	37,318
Rent	39,658	39,658	40,528	870
Gifts and Donations	4,000	4,000	2,504	(1,496)
Customer Sales and Services			23,993	23,993
Payments in Lieu of Taxes	26,909	26,909	26,909	
Miscellaneous	14,954	14,954	13,115	(1,839)
<i>Total Revenues</i>	<u>11,828,659</u>	<u>11,828,659</u>	<u>12,242,934</u>	<u>414,275</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,575,956	6,509,043	6,230,032	279,011
Special	952,447	1,313,325	1,154,402	158,923
Vocational	124,306	149,307	132,658	16,649
Student Intervention Services	9,189	9,189	3,095	6,094
Other	25,336	28,336	11,342	16,994
Support Services:				
Pupils	703,916	826,126	778,633	47,493
Instructional Staff	302,451	352,583	333,105	19,478
Board of Education	50,249	65,249	41,442	23,807
Administration	672,425	775,160	742,035	33,125
Fiscal	325,481	350,391	334,437	15,954
Operation and Maintenance of Plant	966,096	1,066,368	946,137	120,231
Pupil Transportation	462,713	542,613	462,408	80,205
Central	100,387	156,387	149,810	6,577
Extracurricular Activities	241,376	399,881	391,050	8,831
Capital Outlay	15,400	15,400	2,056	13,344
<i>Total Expenditures</i>	<u>10,527,728</u>	<u>12,559,358</u>	<u>11,712,642</u>	<u>846,716</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,300,931</u>	<u>(730,699)</u>	<u>530,292</u>	<u>1,260,991</u>
Other Financing Sources and Uses:				
Advances In	804,475	804,475	825,975	21,500
Proceeds from Sale of Capital Assets			4,055	4,055
Refund of Prior Year Expenditures	7,500	7,500	82,961	75,461
Transfers Out	(125,000)	(140,975)	(140,974)	1
Advances Out	(75,000)	(59,025)	(57,000)	2,025
<i>Total Other Financing Sources and Uses</i>	<u>611,975</u>	<u>611,975</u>	<u>715,017</u>	<u>103,042</u>
<i>Net Change in Fund Balance</i>	1,912,906	(118,724)	1,245,309	1,364,033
Fund Balance at Beginning of Year	2,531,850	2,531,850	2,531,850	
Prior Year Encumbrances Appropriated	47,904	47,904	47,904	
<i>Fund Balance at End of Year</i>	<u>\$ 4,492,660</u>	<u>\$ 2,461,030</u>	<u>\$ 3,825,063</u>	<u>\$ 1,364,033</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, 2015**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 10	\$ 66,150
Investments	<u>53,267</u>	<u>66,150</u>
<i>Total Assets</i>	<u>53,277</u>	<u>66,150</u>
Liabilities:		
Current Liabilities:		
Undistributed Monies		\$ <u>66,150</u>
Net Position:		
Held in Trust for Scholarships	<u>53,277</u>	
Total Net Position	<u>\$ 53,277</u>	

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ <u>180</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>1,406</u>
<i>Change in Net Position</i>	(1,226)
Net Position Beginning of Year	<u>54,503</u>
Net Position End of Year	<u>\$ <u>53,277</u></u>

See Accompanying Notes to the Basic Financial Statements

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District is staffed by 53 classified employees and 82 certified teaching personnel, who provide services to 1,215 students and other community members. The board oversees the operations of the District's four instructional/support facilities.

The Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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, 2015
(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, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Cash and Investments

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

During fiscal year 2015, investments consisted of negotiable and nonnegotiable certificates of deposit, federal agency securities, a money market mutual fund, US treasury bills, and commercial paper. Investments in federal securities, US treasury bills and commercial paper are reported at fair value which is based on quoted market prices. The District's money market mutual fund is recorded at the amount reported by the RedTree Investment Group at June 30, 2015.

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 2015 was \$26,854 for the General Fund, which includes \$8,781 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

I. Compensated Absences

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2015.

3. ACCOUNTABILITY

At June 30, 2015, the Lunch Room and Title II-A special revenue funds had deficit fund balance of \$1,950 and \$68, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit fund balances; however, this is done when cash is needed rather than when accruals occur.

4. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" — an amendment of GASB Statement No. 27 and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$12,714,047
Adjustments:	
Net Pension Liability	(18,422,433)
Deferred Outflow – Payments Subsequent to Measurement Date	<u>1,071,066</u>
Restated Net Position June 30, 2014	<u><u>(\$4,637,320)</u></u>

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance Major Governmental Fund	General
GAAP Basis	\$492,214
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2014, Received In Cash FY 2015	498,926
Accrued FY 2015, Not Yet Received in Cash	(637,409)
Expenditure Accruals:	
Accrued FY 2014, Paid in Cash FY 2015	(1,329,464)
Accrued FY 2015, Not Yet Paid in Cash	1,492,048
Advances Net	769,975
Eliminate Non-General Fund Activity	(5,076)
Encumbrances Outstanding at Year End (Budget Basis)	(35,905)
Budget Basis	<u>\$1,245,309</u>

6. DEPOSITS AND INVESTMENTS

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

At year end, the District had \$110 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

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

Investments

As of June 30, 2015, 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	\$597,247	\$290,001		\$307,246
US Treasury Note	200,178	200,178		
Federal National Mortgage Association (FNMA) Bonds	915,657	310,823	\$200,834	404,000
Federal Home Loan Mortgage Association (FHLMA) Bonds	1,311,929	155,314	199,895	956,720
United States Money Market Mutual Fund	10,809	10,809		
Negotiable Certificates of Deposit	366,994			366,994
Commercial Paper	149,735	149,735		
Total Investments	\$3,552,549	\$1,116,860	\$400,729	\$2,034,960

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:

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Investment Type	Moody's	Standard & Poor's
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
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 negotiable certificates of deposit, FHLB Bonds, FNMA Bonds, FHLMA Bonds, and US Treasury Note are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in negotiable certificates of deposit, FHLB Bonds; FNMA Bonds; FHLMA Bonds, US Treasury Notes, and Commercial Paper, represent 10 percent, 17 percent, 26 percent, 37 percent, 6 percent, and 4 percent, respectively of the District's total investments.

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes for 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 were levied after April 1, 2014, on the assessed values as of December 31, 2013, 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.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

7. PROPERTY TAXES (Continued)

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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, and public utility property taxes, which were measurable as of June 30, 2015 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 2015 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, 2015, was \$518,069 in the General Fund, \$54,247 in the Debt Service Fund, and \$70,287 in the Capital Projects Fund. The amount available as an advance at June 30, 2014, was \$421,610 in the General Fund and \$49,033 in the Debt Service Fund, and \$53,707 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$127,138,200	65%	\$152,122,140	69%
Industrial/Commercial	59,434,220	30%	59,029,350	27%
Public Utility	9,804,650	5%	10,083,220	4%
Total Assessed Value	\$196,377,070	100%	\$221,234,710	100%
Tax rate per \$1,000 of assessed valuation	\$45.61		\$44.52	

8. RECEIVABLES

Receivables at June 30, 2015, 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	
Tuition	\$55
Rent	280
Miscellaneous	<u>3,664</u>
Total Accounts Receivable	<u><u>\$3,999</u></u>
Intergovernmental Receivable:	
Title I Fund	\$25,407
Title II-A Fund	<u>16,350</u>
Total Intergovernmental Receivable	<u><u>\$41,757</u></u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance at 06/30/2014	Additions	Reductions	Balance at 6/30/2015
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$713,221			\$713,221
Total Nondepreciable Capital Assets	<u>713,221</u>			<u>713,221</u>
Depreciable Capital Assets				
Land Improvements	2,061,183	\$13,459		2,074,642
Buildings and Building Improvements	22,394,579			22,394,579
Furniture, Fixtures, and Equipment	3,618,284	24,059	\$3,000	3,639,343
Vehicles	1,124,227			1,124,227
Total Depreciable Capital Assets	<u>29,198,273</u>	<u>37,518</u>	<u>3,000</u>	<u>29,232,791</u>
Less Accumulated Depreciation				
Land Improvements	948,578	98,273		1,046,851
Buildings and Building Improvements	10,431,842	499,265		10,931,107
Furniture, Fixtures, and Equipment	950,533	70,424	2,000	1,018,957
Vehicles	683,539	79,634		763,173
Total Accumulated Depreciation	<u>13,014,492</u>	<u>747,596</u>	<u>2,000</u>	<u>13,760,088</u>
Depreciable Capital Assets, Net	<u>16,183,781</u>	<u>(710,078)</u>	<u>1,000</u>	<u>15,472,703</u>
Governmental Activities Capital Assets, Net	<u>\$16,897,002</u>	<u>(\$710,078)</u>	<u>\$1,000</u>	<u>\$16,185,924</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$433,836
Special	36,605
Vocational	26,992
Instructional Staff	542
Support Services:	
Operation and Maintenance of Plant	32,283
Pupil Transportation	71,078
Operation of Non-Instructional Services	5,411
Extracurricular	125,654
Capital Outlay	15,195
Total Depreciation Expense	<u>\$747,596</u>

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. RISK MANAGEMENT

A. Property and Liability

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

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2015, 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	\$63,703,868
Inland Marine, computer hardware/software	Included above
Inland Marine, musical instruments	Included above
Inland Marine, miscellaneous equipment	Included above
Inland Marine, audio/visual equipment	Included above
Crime, public employee dishonesty blanket bond	50,000
Crime, forgery and alteration	50,000
Crime, computer fraud	50,000
General Liability, in aggregate	5,000,000
General Liability, per occurrence	3,000,000
General Liability, products/completed operations aggregate	3,000,000
General Liability, personal and advertising injury	3,000,000
General Liability, medical payments	10,000
Employee Benefits Liability, in aggregate	5,000,000
Employee Benefits Liability, per occurrence	3,000,000
Sexual Misconduct and Molestation Liability, in aggregate	3,000,000
Sexual Misconduct and Molestation Liability, per occurrence	3,000,000
School Leaders Errors and Omissions Liability, in aggregate	5,000,000
School Leaders Errors and Omissions Liability, per occurrence	3,000,000
Violent Event Response Coverage	1,000,000
Automobile, single limit	3,000,000
Automobile, uninsured/underinsured	1,000,000
Automobile, medical payments	5,000
Umbrella Liability, in aggregate	18,000,000
Umbrella Liability, in aggregate	23,000,000

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of OHI, a self insurance pool (Note 19), for insurance benefits to employees. The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. RISK MANAGEMENT (Continued)

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 19). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

11. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

The District's contractually required contribution to SERS was \$213,499 for fiscal year 2015. Of this amount \$120,216 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among 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. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$757,142 for fiscal year 2015. Of this amount \$134,068 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,422,724	\$13,075,716	\$15,498,440
Proportion of the Net Pension Liability	0.047871%	0.0537576%	
Pension Expense	\$172,816	\$640,027	\$812,843

At June 30, 2015, the District reported outflows of resources and deferred inflows of resources related to pensions from the following sources:

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$20,620	\$125,882	\$146,502
District contributions subsequent to the measurement date	190,447	773,255	963,702
Total Deferred Outflows of Resources	\$211,067	\$899,137	\$1,110,204
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$393,215	\$2,419,057	\$2,812,272

\$963,702 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$93,148)	(\$573,293)	(\$666,441)
2017	(93,148)	(573,293)	(666,441)
2018	(93,148)	(573,293)	(666,441)
2019	(93,151)	(573,296)	(666,447)
Total	(\$372,595)	(\$2,293,175)	(\$2,665,770)

Actuarial Assumptions - SERS

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease ▼ (6.75%)	Current Discount Rate (7.75%)	1% Increase ▼ (8.75%)
School District's proportionate share of the net pension liability	\$3,456,507	\$2,422,724	\$1,553,223

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$18,719,313	\$13,075,716	\$8,303,132

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, 2015, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages for employees and employers.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. EARLY RETIREMENT INCENTIVE PLAN

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

13. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2015 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 if they participated in one of SERS' health care plans.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for fiscal years ended June 30, 2015, 2014 and 2013 was \$12,700, \$16,136, and \$13,204, respectively; 92 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

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 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2015, the health care allocation is .82 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. Statutes provide that no employer shall pay a health care surcharge greater than 2percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5percent of the total statewide SERS-covered payroll for the health care

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

13. POSTEMPLOYMENT BENEFITS (Continued)

surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. 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, 2015, 2014, and 2013 were \$39,226, \$27,967, and \$26,208, respectively; 33 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

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

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

B. State Teachers Retirement System

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$67,428, and \$70,201 respectively; 100 percent has been contributed for fiscal years 2015, 2014, and 2013.

14. COMPENSATED ABSENCES

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. LONG-TERM OBLIGATIONS

During the year ended June 30, 2015 the following changes occurred in obligations reported in the government-wide financial statements:

	<u>Balance at 6/30/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/15</u>	<u>Due Within One Year</u>
Series 2004					
Current interest bonds	\$4,850,000		\$4,850,000		
Series 2014					
Advanced Refunding Bonds		\$4,315,000	50,000	\$4,265,000	\$560,000
Unamortized Bond Premium		201,708	25,214	176,494	25,214
Total Series 2014		<u>4,516,708</u>	<u>75,214</u>	<u>4,441,494</u>	<u>585,214</u>
2015 Ohio Development Services					
Agency		785,967		785,967	45,416
School Construction Bond 2011	625,000			625,000	
Advance Refunding 2011:					
Current interest bonds	2,135,000		170,000	1,965,000	170,000
Capital appreciation bonds	88,101	19,380		107,481	
Unamortized Bond Premium	116,542		9,712	106,830	9,712
Total Series 2011	<u>2,339,643</u>	<u>19,380</u>	<u>179,712</u>	<u>2,179,311</u>	<u>179,712</u>
Total General obligation bonds	7,814,643	5,322,055	,5,104,926	8,031,772	810,342
Net Pension Liability	18,422,433		2,923,993	15,498,440	
Compensated absences payable	1,022,504	68,388		1,090,892	184,168
Total	<u>\$27,259,580</u>	<u>\$5,390,443</u>	<u>\$8,028,919</u>	<u>\$24,621,104</u>	<u>\$994,510</u>

Advance Refunding Bonds – 2011

Proceeds from the bonds were used for the purpose of refunding of general obligation bonds, dated March 22, 2001, which were issued for the purpose of constructing additions to, and renovating and improving existing school buildings and facilities at the high school. The refunding bonds were issued in March 2012. The bonds consisted of \$2,650,000 in current interest serial bonds and \$29,963 in capital appreciation bonds. The capital appreciation bonds were issued at a premium of \$145,678.

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

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

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

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

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

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

The value of the capital appreciation bonds reported at June 30, 2015 was \$107,481. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$19,380 has been included in the value. The bonds are being retired through the Bond Retirement Fund.

Qualified School Construction Bonds – 2011

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

Advance Refunding Bonds – 2014

Proceeds from the bonds were used for the purpose of refunding of general obligation bonds, series 2004, which were issued for the purpose of constructing additions to, and renovating and improving existing school buildings and facilities at the high school. The refunding bonds were issued in July 2014. The bonds consisted of \$4,315,000 in current interest serial bonds.

The refunding bonds outstanding are general obligations of the District for which full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the 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 \$4,415,453 were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the 2004 School Improvement Replacement Bonds. As a result, \$4,850,000 of the 2004 School Improvement Replacement Bonds are considered defeased and the liability for those bonds has been removed from the District's financial statements.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

The District in effect decreased its aggregated debt service payments by \$345,627 over the next 7 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$323,664.

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>
2015	\$560,000	4.500%
2016	575,000	4.000%
2017	600,000	1.625%
2018	615,000	2.000%
2019	630,000	2.125%
2020	635,000	2.500%
2021	650,000	4.000%

Ohio Development Services Agency Loan

On March 17, 2015, the District obtained a \$785,967 loan through the Ohio Development Services Agency to be used for energy upgrades. The loan, with an interest rate of 1.75 percent, was issued for a 15 year period, with final maturity on January 1, 2030. The loan will be paid through the Bond Retirement Fund.

The scheduled payments of principal and interest on debt outstanding at June 30, 2015 are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$810,342	\$226,531	\$1,036,873
2017	836,254	199,418	1,035,672
2018	862,186	177,387	1,039,573
2019	805,617	240,455	1,046,072
2020	904,105	146,274	1,050,379
2021 – 2025	2,660,110	418,752	3,078,862
2026 – 2030	1,153,158	72,920	1,226,078
Total	<u>\$8,031,772</u>	<u>\$1,481,737</u>	<u>\$9,513,509</u>

16. PAYMENTS IN LIEU OF TAXES

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public districts within the boundaries of Defiance, Fulton, Henry, Lucas, Wood, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$34,408. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood 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, Connie Nicely, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

18. RELATED ORGANIZATION

Archbold Community Library

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

19. GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan, a Northwest Division of the Optimal Health Initiative Consortium (OHI), is a public entity shared risk pool consisting of educational entities throughout the state. The Pool is governed by OHI and its participating members. The District contributed a total of \$1,340,336 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, Ohio 45242.

B. Workers' Compensation Group Rating Plan

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

Optimal Health Initiatives has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$1,412 to WCGRP to cover the costs of administering the program.

20. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Capital Acquisition
Current Year Set-aside Requirement	\$211,660
Qualifying Expenditures	(36,341)
Current Year Offsets	(446,343)
Total	<u>(\$271,024)</u>

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

21. CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

C. Litigation

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

22. FUND BALANCE

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

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

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

22. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Nonspendable for:				
Materials and Supplies			\$14,942	\$14,942
Total Nonspendable			14,942	14,942
Restricted for:				
Special Instruction			2,387	2,387
Athletics			143,708	143,708
Debt Retirement		\$1,935,894		1,935,894
Wind Turbine Project			8,821	8,821
Total Restricted		1,935,894	154,916	2,090,810
Committed for:				
Permanent Improvements			871,936	871,936
Assigned for:				
School Supplies	\$362			362
Principal Funds	44,207			44,207
Encumbrances	19,822			19,822
Total Assigned	64,391			64,391
Unassigned (Deficit)	3,009,302		(2,018)	3,007,284
Total Fund Balance	<u>\$3,073,693</u>	<u>\$1,935,894</u>	<u>\$1,039,776</u>	<u>\$6,049,363</u>

23. INTERFUND TRANSACTIONS

- A. Interfund transfers for the fiscal year ended June 30, 2015, consisted of the following, as reported on the fund statements:

<u>Transfers from General Fund to:</u>	<u>Amount</u>
Bond Retirement Fund	\$ 34,626
Other Governmental Funds	<u>106,348</u>
Total	<u>\$140,974</u>

Interfund transfers represent the use of unrestricted revenues collected in the General Fund that are used to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers from the General Fund supported debt service of the energy conservation loan and wind turbine maintenance. Interfund transfers between governmental funds are eliminated for reporting on the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5075.14, 5705.5 and 5705.16.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

23. INTERFUND TRANSACTIONS (continued)

- B.** Interfund balances at June 30, 2015, as reported on the fund statements, consist of the following interfund loans payable and receivable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$20,500

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.047871%	0.047871%
School District's Proportionate Share of the Net Pension Liability	\$2,422,724	\$2,846,735
School District's Covered-Employee Payroll	\$1,391,046	\$1,341,997
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.66%	212.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.0537576%	0.0537576%
School District's Proportionate Share of the Net Pension Liability	\$13,075,716	\$15,575,699
School District's Covered-Employee Payroll	\$5,492,546	\$5,860,186
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	238.06%	265.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available

ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$186,478	\$192,799
Contributions in Relation to the Contractually Required Contribution	<u>(186,478)</u>	<u>(192,799)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,414,856	\$1,391,046
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%

ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$757,142	\$714,031
Contributions in Relation to the Contractually Required Contribution	<u>(757,142)</u>	<u>(714,031)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$5,408,157	\$5,492,546
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%

ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	\$22,715	\$22,715
National School Lunch Program	10.555		
Cash Assistance		150,158	150,158
Non- Cash Assistance (Food Distribution)		34,787	34,787
Total National School Lunch Program		<u>184,945</u>	<u>184,945</u>
Total U.S. Department of Agriculture		<u>207,660</u>	<u>207,660</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster (IDEA):</u>			
Special Education - Grants to States (IDEA, Part B)	84.027	217,648	217,648
Special Education - Preschool Grants (IDEA, Preschool)	84.173	9,193	9,193
Total Special Education Cluster (IDEA)		<u>226,841</u>	<u>226,841</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants	84.395	15,529	20,524
English Language Acquisition State Grants	84.365	2,277	2,277
Title I Grants to Local Educational Agencies	84.010	127,538	128,691
Improving Teacher Quality State Grants	84.367	37,113	36,865
Total U.S. Department of Education		<u>409,298</u>	<u>415,198</u>
Totals		<u>\$616,958</u>	<u>\$622,858</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, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Archbold Area Local School District's (the District's) federal award programs' receipts and expenditures. 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 \$229,118.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D - FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major funds, 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 3, 2016, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board 68, *Accounting and Financial Reporting for Pensions – an amendment fo GASB Statement No, 27 and Statement No, 71 Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 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 responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

March 3, 2016



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Archbold Area Local School District, Fulton County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Archbold Area Local School District, Fulton County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

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 over 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

March 3, 2016

**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

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	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – Grants to States (IDEA, Part B) CFDA #84.027 and Preschool Grants (IDEA PreSchool) CFDA #84.173 Title I Grants to Local Educational Agencies – CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2015-001

Material Weakness – Restricted Amounts

Governmental Accounting Standards Board (GASB) Statement No. 34 - Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, paragraph 34 (amended by GASB Statement No. 63) provides that net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutionally provisions or enabling legislation.

Restricted net position reported on the statement of net position incorrectly included \$842,121 which does not have constraints placed on use either imposed externally or by law. The District was unaware these monies should have been classified as unrestricted net position on the government-wide statement of net position.

A final review of the financial statements may have detected this error.

The accompanying financial statements and accounting records have been adjusted to correct this error.

In order to ensure the District’s net position is reported in accordance with GASB 34, we recommend the District review GASB statement 34 and review the financial statements for errors prior to filing.

Officials’ Response:

Finding accepted. District will make compiler aware of finding. District is however disappointed that the error is as a result of a finding as this reporting has gone unnoticed for some time in prior audits.

Auditor of State’s Conclusion:

The monies in question are related to inside millage the District has allocated to the Permanent Improvement Fund. These monies have been reported under “Net Position, Restricted for Capital Outlay” on the Statement of Net Position, which has not been material to the Statement of Net Position the past three years and as such not subjected to testing. As a result, the error had not previously been identified.

FINDING NUMBER 2015-002

Material Weakness – Financial Reporting

Section D20.109 of the Codification of Governmental Accounting Standard Board (GASB) Standards prescribes the accounting for current and advance refundings resulting in defeasance of general long-term debt. The face amount of the new debt should be reported as an “other financing source—refunding bonds” in the governmental fund receiving the proceeds. For advance refundings, payments to the escrow agent from resources provided by the new debt should be reported as an “other financing use—payment to refunded bond escrow agent.” Payments to the escrow agent made from other resources of the entity should be reported as debt service expenditures.

Auditor of State Bulletin 2006-004 establishes the Uniform School Accounting System (USAS) receipt codes, functions, and objects to be utilized in recording a debt issue.

**FINDING NUMBER 2015-002
(Continued)**

The District issued bonds in July 2014 for the purpose of advance refunding 2004 general obligation bonds.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustments:

1. Premium on Refunding Bonds Issued of \$201,708 was improperly reported as Miscellaneous revenue (\$58,105), not reported as they were netted against issuance costs (\$43,150) and payments to refunded bond escrow agent (\$90,453), and used to reduce Debt Service – Interest (\$10,000) in the Bond Retirement Fund (002).
2. Payments to Refunded Bond Escrow Agent of \$4,325,000 were improperly reported as Debt Service – Principal in the Bond Retirement Fund (002).
3. Premium on Refunding Bonds Issued (\$201,708) was not amortized on the government wide financial statements. This resulted in an understatement in Long-Term Liabilities, Due in 1 Year (\$25,214), Due in More than 1 Year (\$151,280), and Debt Service – Interest and Other Fiscal (\$25,214).
4. Unamortized premiums related to the 2011 advance refunding bonds (\$106,830) were not properly added back into the Net Investment in Capital Assets total. This resulted in an understatement of Net Investment in Capital Assets and an overstatement of Net Position Restricted for Debt Service.
5. Net Investment in Capital Asset was overstated (\$150,858) due to classification errors. This resulted in understatements in Unrestricted Net Position (\$148,840) and Net Position Restricted for Other Purposes (\$2,018)

The accompanying financial statements and accounting records have been adjusted to correct these errors.

Sound financial reporting is the responsibility of the Treasurer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and the audit committee, to identify and correct errors and omissions. In addition, the Treasurer should also review the Uniform School Accounting System User Manual to ensure that all accounts are being properly posted to the financial statements.

Officials' Response:

Finding accepted. District was with the impression the booking of refinancing was accurate.

3. FINDINGS FOR FEDERAL AWARDS

None.

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**ARCHBOLD AREA LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Material weakness due to overstatement of Building Fund expenditures as a result of improper recognition of contracts payable.	Yes	
2014-002	Material weakness due to investments purchased from District's pool being improperly reported as Investments on financial statements.	Yes	

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Dave Yost • Auditor of State

ARCHBOLD AREA LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2016