

ARCADIA LOCAL SCHOOL DISTRICT

HANCOCK COUNTY

Audit Report

For the Year Ended June 30, 2011

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Education
Arcadia Local School District
19033 State Route 12
Arcadia, Ohio 44804

We have reviewed the *Report of Independent Accountants* of the Arcadia Local School District, Hancock County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Arcadia Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 5, 2012

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ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY
AUDIT REPORT
For the Year Ending June 30, 2011

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Arcadia Local School District
Hancock County
19033 State Route 12
Arcadia, OH 44804

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arcadia Local School District, Hancock County, Ohio, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Arcadia Local School District, Hancock County, Ohio, as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District implemented Governmental Accounting Standard Board Statement No.54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011, on our consideration of the Arcadia Local School District, Hancock County, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such 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 an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arcadia Local School District's financial statements as a whole. The accompanying schedule of federal awards expenditures is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of federal award expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Charles E. Harris & Associates, Inc.
December 30, 2011

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Arcadia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of Arcadia Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2011 are as follows:

In total, net assets increased \$474,846, or almost 11 percent. Although the change in revenues and expenses was not significant, the continued excess of revenues over expenses provided for the overall increase in net assets.

General revenues accounted for 76 percent of total revenues and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted state entitlements.

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 Arcadia Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Arcadia Local School District, the General Fund is the most significant fund.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to that 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.

Arcadia Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2011
 Unaudited

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities and include instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's only major fund is the General Fund.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the School 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 School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2011 and fiscal year 2010:

Table 1
Net Assets

	Governmental Activities		
	2011	2010	Change
<u>Assets:</u>			
Current and Other Assets	\$6,345,692	\$5,764,052	\$581,640
Capital Assets, Net	1,647,499	1,738,310	(90,811)
Total Assets	7,993,191	7,502,362	490,829
			(continued)

Arcadia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 1
Net Assets
(continued)

	Governmental Activities		
	2011	2010	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$2,655,893	\$2,597,819	(\$58,074)
Long-Term Liabilities	368,448	410,539	42,091
Total Liabilities	3,024,341	3,008,358	(15,983)
<u>Net Assets:</u>			
Invested in Capital Assets	1,647,499	1,738,310	(90,811)
Restricted	572,228	495,193	77,035
Unrestricted	2,749,123	2,260,501	488,622
Total Net Assets	\$4,968,850	\$4,494,004	\$474,846

There was an overall increase in total assets from the prior fiscal year of almost 7 percent. Within current and other assets, there was an increase in cash and cash equivalents of over \$414,000 due to the excess of revenues over expenses in fiscal year 2011. There was also an increase in intergovernmental receivables, primarily due to outstanding amounts due to the School District received through the Education Jobs Grant. These increases are reflected in the increase in both restricted and unrestricted net assets.

Table 2 reflects the change in net assets for fiscal year 2011 and fiscal year 2010.

Table 2
Change in Net Assets

	Governmental Activities		
	2011	2010	Change
<u>Revenues</u>			
<u>Program Revenues</u>			
Charges for Services	\$911,707	\$878,852	\$32,855
Operating Grants, Contributions, and Interest	642,240	639,183	3,057
Capital Grants, Contributions, and Interest	1,525	0	1,525
Total Program Revenues	1,555,472	1,518,035	37,437

(continued)

Arcadia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities		
	2011	2010	Change
General Revenues			
Property Taxes Levied for General Purposes	\$2,087,983	\$1,972,589	\$115,394
Income Taxes Levied for General Purposes	657,764	651,689	6,075
Grants and Entitlements	2,219,006	2,251,575	(32,569)
Interest	9,244	7,664	1,580
Gifts and Donations	13,823	1,753	12,070
Miscellaneous	49,112	6,539	42,573
Total General Revenues	<u>5,036,932</u>	<u>4,891,809</u>	<u>145,123</u>
Total Revenues	<u>6,592,404</u>	<u>6,409,844</u>	<u>182,560</u>
<u>Expenses</u>			
Instruction:			
Regular	2,680,453	2,728,231	47,778
Special	639,264	579,060	(60,204)
Vocational	300,621	312,403	11,782
Support Services:			
Pupils	230,057	222,212	(7,845)
Instructional Staff	194,118	182,680	(11,438)
Board of Education	36,946	29,806	(7,140)
Administration	600,018	578,326	(21,692)
Fiscal	204,913	185,292	(19,621)
Operation and Maintenance of Plant	343,179	452,307	109,128
Pupil Transportation	293,714	303,245	9,531
Central	1,054	2,000	946
Non-Instructional Services	268,183	273,360	5,177
Extracurricular Activities	325,038	260,276	(64,762)
Total Expenses	<u>6,117,558</u>	<u>6,109,198</u>	<u>(8,360)</u>
Increase in Net Assets	474,846	300,646	174,200
Net Assets at Beginning of Year	<u>4,494,004</u>	<u>4,193,358</u>	<u>300,646</u>
Net Assets at End of Year	<u>\$4,968,850</u>	<u>\$4,494,004</u>	<u>\$474,846</u>

Overall, revenues changed very little from the prior fiscal year with a modest increase of less than 3 percent.

Expenses also remained very similar to the prior fiscal year with a change of less than a 1 percent. Not surprisingly, the major expense is for instruction, which accounts for 59 percent of total expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 12 percent of total expenses. Maintenance of the School District's facilities also represents a significant expense, almost 6 percent. Therefore, approximately 77 percent of the School District's expenses are directly related to the primary functions of providing facilities and delivering education.

Arcadia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction:				
Regular	\$2,680,453	\$2,728,231	\$1,814,754	\$2,061,613
Special	639,264	579,060	443,318	340,900
Vocational	300,621	312,403	281,400	293,325
Support Services:				
Pupils	230,057	222,212	111,173	(26,366)
Instructional Staff	194,118	182,680	194,118	182,680
Board of Education	36,946	29,806	36,946	29,806
Administration	600,018	578,326	600,018	578,326
Fiscal	204,913	185,292	204,913	185,292
Operation and Maintenance of Plant	343,179	452,307	343,179	452,307
Pupil Transportation	293,714	303,245	293,714	303,245
Central	1,054	2,000	1,054	2,000
Non-Instructional Services	268,183	273,360	1,520	6,697
Extracurricular Activities	325,038	260,276	235,979	181,338
Total Expenses	<u>\$6,117,558</u>	<u>\$6,109,198</u>	<u>\$4,562,086</u>	<u>\$4,591,163</u>

With the substantial contribution of general revenues for funding the School District's activities, only a limited number of activities are affected by program revenues. Approximately 32 percent of the costs for regular instruction are offset by program revenues, primarily from tuition and fees. The special instruction program also has approximately 32 percent of the costs offset by program revenues, primarily grants restricted for special instruction programs. Approximately 99 percent of the costs of the non-instructional program were paid for through cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Extracurricular activities costs are supported by music and athletic fees, ticket sales, gate receipts at musical and athletic events.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund had an increase in fund balance from the prior fiscal year of \$499,099, or almost 19 percent. There was a slight increase in revenues, but also a slight decrease in expenditures, the combination of which led to the increase in fund balance.

Arcadia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2011, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. For expenditures, there was no change from the original budget to the final budget; however, actual expenditures were 15 percent less than final budget amounts as savings were realized in almost all programs.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$1,647,499 invested in capital assets (net of accumulated depreciation). Additions for fiscal year 2011 were very minimal and there were no disposals. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

For fiscal year 2011, long-term obligations consisted of compensated absences, in the amount of \$368,448. Compensated absences will be paid from the General Fund and the Food Service and Title I special revenue funds. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

Current Issues

In May 2009, the voters renewed a five-year 1 percent income tax levy to raise approximately \$786,000 annually. Voters also renewed a three-year emergency levy in May 2009 which raises approximately \$305,000 annually.

There will be two emergency levies on the ballot in March 2012; a three-year levy which will generate approximately \$305,000 annually and a four-year levy which will generate approximately \$440,000 annually.

The School District no longer has a levy for permanent improvements. This will negatively impact the General Fund as permanent improvement expenditures will be paid from the General Fund.

The School District accepts open enrollment of students from other school districts. During the 2010/2011 school year, one hundred thirty-eight students from other districts attended Arcadia Local School District under the open enrollment program while only twenty-seven students left our School District to attend other schools.

Arcadia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School 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 Melissa Patch, Treasurer, Arcadia Local School District, 19033 State Route 12, Arcadia, Ohio 44804.

Arcadia Local School District
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,786,086
Accounts Receivable	2,989
Accrued Interest Receivable	154
Intergovernmental Receivable	162,758
Prepaid Items	44
Inventory Held for Resale	7,028
Materials and Supplies Inventory	7,674
Income Taxes Receivable	280,264
Property Taxes Receivable	2,098,695
Nondepreciable Capital Assets	27,410
Depreciable Capital Assets, Net	1,620,089
Total Assets	<u>7,993,191</u>
 <u>Liabilities:</u>	
Accounts Payable	65,283
Accrued Wages and Benefits Payable	505,329
Intergovernmental Payable	163,803
Deferred Revenue	1,921,478
Long-Term Liabilities:	
Due Within One Year	8,565
Due in More Than One Year	359,883
Total Liabilities	<u>3,024,341</u>
 <u>Net Assets:</u>	
Invested in Capital Assets	1,647,499
Restricted For:	
Set Asides	145,971
Capital Projects	228,146
Other Purposes	198,111
Unrestricted	2,749,123
Total Net Assets	<u><u>\$4,968,850</u></u>

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Expenses	Program Revenues			
	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$2,680,453	\$646,482	\$219,217	\$0
Special	639,264	21,008	174,938	0
Vocational	300,621	0	19,221	0
Support Services:				
Pupils	230,057	0	118,884	0
Instructional Staff	194,118	0	0	0
Board of Education	36,946	0	0	0
Administration	600,018	0	0	0
Fiscal	204,913	0	0	0
Operation and Maintenance of Plant	343,179	0	0	0
Pupil Transportation	293,714	0	0	0
Central	1,054	0	0	0
Non-Instructional Services	268,183	161,835	104,828	0
Extracurricular Activities	325,038	82,382	5,152	1,525
Total Governmental Activities	\$6,117,558	\$911,707	\$642,240	\$1,525

General Revenues:

Property Taxes Levied for General Purposes
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets
Governmental
Activities

(\$1,814,754)
(443,318)
(281,400)
(111,173)
(194,118)
(36,946)
(600,018)
(204,913)
(343,179)
(293,714)
(1,054)
(1,520)
<u>(235,979)</u>
<u>(4,562,086)</u>

2,087,983
657,764
2,219,006
9,244
13,823
49,112
<u>5,036,932</u>

474,846
4,494,004
<u>\$4,968,850</u>

Arcadia Local School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,312,840	\$323,710	\$3,636,550
Accounts Receivable	2,989	0	2,989
Accrued Interest Receivable	154	0	154
Intergovernmental Receivable	0	162,758	162,758
Interfund Receivable	5,600	0	5,600
Prepaid Items	44	0	44
Inventory Held for Resale	0	7,028	7,028
Materials and Supplies Inventory	7,036	638	7,674
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	149,536	0	149,536
Income Taxes Receivable	280,264	0	280,264
Property Taxes Receivable	2,098,695	0	2,098,695
Total Assets	<u>\$5,857,158</u>	<u>\$494,134</u>	<u>\$6,351,292</u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$33,088	\$32,195	\$65,283
Accrued Wages and Benefits Payable	482,675	22,654	505,329
Intergovernmental Payable	156,724	7,079	163,803
Interfund Payable	0	5,600	5,600
Deferred Revenue	2,001,178	162,758	2,163,936
Total Liabilities	<u>2,673,665</u>	<u>230,286</u>	<u>2,903,951</u>
<u>Fund Balances:</u>			
Nonspendable	7,080	7,666	14,746
Restricted	149,536	292,709	442,245
Assigned	45,714	0	45,714
Unassigned (Deficit)	2,981,163	(36,527)	2,944,636
Total Fund Balances	<u>3,183,493</u>	<u>263,848</u>	<u>3,447,341</u>
Total Liabilities and Fund Balances	<u>\$5,857,158</u>	<u>\$494,134</u>	<u>\$6,351,292</u>

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2011

Total Governmental Fund Balances	\$3,447,341
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,647,499
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	2,989	
Intergovernmental Receivable	162,758	
Income Taxes Receivable	43,738	
Property Taxes Receivable	<u>32,973</u>	
		242,458

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(368,448)</u>
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Net Assets of Governmental Activities	<u><u>\$4,968,850</u></u>
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See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$2,083,081	\$0	\$2,083,081
Income Taxes	657,234	0	657,234
Intergovernmental	2,209,586	520,034	2,729,620
Interest	8,839	428	9,267
Tuition and Fees	666,658	0	666,658
Extracurricular Activities	6,252	76,130	82,382
Charges for Services	0	161,835	161,835
Gifts and Donations	13,823	6,004	19,827
Miscellaneous	49,407	0	49,407
Total Revenues	<u>5,694,880</u>	<u>764,431</u>	<u>6,459,311</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,594,935	97,608	2,692,543
Special	362,981	269,267	632,248
Vocational	299,246	0	299,246
Support Services:			
Pupils	111,610	117,653	229,263
Instructional Staff	185,736	7,064	192,800
Board of Education	36,946	0	36,946
Administration	600,559	275	600,834
Fiscal	204,626	0	204,626
Operation and Maintenance of Plant	325,964	67	326,031
Pupil Transportation	250,868	0	250,868
Central	1,054	0	1,054
Non-Instructional Services	0	257,027	257,027
Extracurricular Activities	207,969	101,326	309,295
Capital Outlay	13,287	21,245	34,532
Total Expenditures	<u>5,195,781</u>	<u>871,532</u>	<u>6,067,313</u>
Changes in Fund Balances	499,099	(107,101)	391,998
Fund Balances at Beginning of Year - Restated (Note 3)	2,684,394	370,949	3,055,343
Fund Balances at End of Year	<u>\$3,183,493</u>	<u>\$263,848</u>	<u>\$3,447,341</u>

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2011

Changes in Fund Balances - Total Governmental Funds \$391,998

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

Governmental funds report capital outlays 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 exceeded capital outlay in the current fiscal year:

Capital Outlay	1,938	
Capital Contributions	1,525	
Depreciation	(94,274)	
	(94,274)	(90,811)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	4,902	
Income Taxes	530	
Intergovernmental	125,599	
Tuition and Fees	832	
Miscellaneous	(295)	
	(295)	131,568

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

42,091

Change in Net Assets of Governmental Activities

\$474,846

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$2,248,018	\$2,278,861	\$2,071,314	(\$207,547)
Income Taxes	630,112	638,284	664,867	26,583
Intergovernmental	2,184,649	2,210,664	2,209,586	(1,078)
Interest	11,664	11,775	9,014	(2,761)
Tuition and Fees	658,145	666,339	666,658	319
Extracurricular Activities	4,000	4,500	6,252	1,752
Gifts and Donations	11,899	12,034	14,319	2,285
Miscellaneous	25,555	33,059	39,938	6,879
Total Revenues	<u>5,774,042</u>	<u>5,855,516</u>	<u>5,681,948</u>	<u>(173,568)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,886,479	2,886,479	2,640,568	245,911
Special	441,646	441,646	369,763	71,883
Vocational	344,721	344,721	297,173	47,548
Support Services:				
Pupils	117,316	117,316	113,337	3,979
Instructional Staff	202,045	202,045	185,998	16,047
Board of Education	72,666	72,666	35,529	37,137
Administration	601,743	601,743	602,611	(868)
Fiscal	217,950	217,950	206,084	11,866
Operation and Maintenance of Plant	643,446	643,446	338,089	305,357
Pupil Transportation	340,941	340,941	248,014	92,927
Central	2,200	2,200	1,804	396
Extracurricular Activities	253,901	253,901	208,641	45,260
Capital Outlay	54,737	54,737	13,304	41,433
Total Expenditures	<u>6,179,791</u>	<u>6,179,791</u>	<u>5,260,915</u>	<u>918,876</u>
Excess of Revenues Over (Under) Expenditures	<u>(405,749)</u>	<u>(324,275)</u>	<u>421,033</u>	<u>745,308</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	2,194	2,325	9,758	7,433
Refund of Prior Year Receipts	(300)	(300)	0	300
Total Other Financing Sources (Uses)	<u>1,894</u>	<u>2,025</u>	<u>9,758</u>	<u>7,733</u>
Changes in Fund Balance	(403,855)	(322,250)	430,791	753,041
Fund Balance at Beginning of Year	2,950,944	2,950,944	2,950,944	0
Prior Year Encumbrances Appropriated	27,361	27,361	27,361	0
Fund Balance at End of Year	<u>\$2,574,450</u>	<u>\$2,656,055</u>	<u>\$3,409,096</u>	<u>\$753,041</u>

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$61,027</u></u>
 <u>Liabilities:</u>	
Undistributed Assets	\$712
Due to Students	<u>60,315</u>
Total Liabilities	<u><u>\$61,027</u></u>

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School District and Reporting Entity

Arcadia Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1937. The School District serves an area of approximately sixty-one square miles. It is located in Hancock and Seneca Counties. The School District is the 584th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-four classified employees, forty certified teaching personnel, and five administrative employees who provide services to five hundred ninety students and other community members. The School District currently operates an elementary/middle/high school.

Reporting Entity

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

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

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Hancock County Schools Health Benefit Fund, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, 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, contributions, and interest 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 School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are reported in two categories, governmental and fiduciary.

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses 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 School District's only major governmental fund is the General Fund.

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 balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2011. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various non-instructional staff-related and student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

Note 2 - Summary of Significant Accounting Policies (continued)

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. Governmental funds use the modified accrual basis of accounting and the agency funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the 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 both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative 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 is at the function level for the General Fund and fund level for all other funds. Budgetary allocations at the object level in the General Fund and at the function and object level within all other funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal 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 final amended certificate of estimated resources requested by the School District prior to fiscal year end.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations 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 School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2011, investments were limited to STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

Note 2 - Summary of Significant Accounting Policies (continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 was \$8,839, which includes \$429 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies, custodial supplies, donated and purchased food, and workbooks.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund include amounts required by State statute to be set aside to create a reserve for textbooks and other instructional materials, the acquisition and construction of capital improvements, and for unexpended revenues restricted for the purchase of school buses.

J. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

All capital assets, except land, 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>Useful Lives</u>
Land Improvements	20 - 100 years
Buildings and Building Improvements	25 - 100 years
Furniture, Fixtures, and Equipment	5 - 60 years
Vehicles	15 - 30 years

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net assets.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the School District’s termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on 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, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year.

N. Capital Contributions

Capital contributions arise from contributions of capital assets from outside sources.

Note 2 - Summary of Significant Accounting Policies (continued)

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the 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 are imposed by law through constitutional provisions.

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

Assigned - Amounts in the assigned classification are intended to be used by the School 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 School 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.

Arcadia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Q. Interfund Activity

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 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.

R. 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.

Note 3 - Change in Accounting Principles and Restatement of Fund Balance

A. Changes in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

B. Restatement of Fund Balance

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2010	\$2,674,647	\$380,696	\$3,055,343
Change in Fund Structure	9,747	(9,747)	0
Adjusted Fund Balance at June 30, 2010	\$2,684,394	\$370,949	\$3,055,343

Arcadia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2011, the following funds had deficit fund balances:

<u>Fund Type/Fund</u>	<u>Deficit</u>
Special Revenue Funds	
SchoolNet Professional Development	\$239
Miscellaneous State Grants	807
Title I	16,349
REAP	16,471
Food Service	2,661

The deficit fund balances resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The Miscellaneous Grants, Miscellaneous State Grants, Title II-A, Title II-D, and REAP special revenue funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2011, in the amount of \$90, \$807, \$1,064, \$10, and \$44,125, respectively.

The Food Service, Miscellaneous Grants, OneNet, Fiscal Stabilization, Title II-A, and REAP special revenue funds had expenditures in excess of appropriations for the fiscal year ended June 30, 2011, in the amount of \$8,540, \$702, \$5,909, \$189,373, \$653, and \$9,976, respectively.

The Treasurer will monitor budgetary activity to ensure that appropriations are within estimated resources and that expenditures do not exceed amounts appropriated.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances 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 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 the GAAP basis are as follows:

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 restricted, committed, or assigned fund balance (GAAP basis).

Arcadia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 5 - Budgetary Basis of Accounting (continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$499,099
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2010, Received in Cash FY 2011	377,750
Accrued FY 2011, Not Yet Received in Cash	(\$380,924)
Expenditure Accruals:	
Accrued FY 2010, Paid in Cash FY 2011	(686,622)
Accrued FY 2011, Not Yet Paid in Cash	672,487
Prepaid Items	88
Materials and Supplies Inventory	7,793
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(58,880)
Budget Basis	\$430,791

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits the Board of Education 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 deposits are deposits of interim monies. 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.

Note 6 - Deposits and Investments (continued)

Interim monies held by the School District may 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;
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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,625,014 of the School District's bank balance of \$3,346,175 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit 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 School 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 105 percent of the deposits being secured.

Arcadia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 6 - Deposits and Investments (continued)

Investments

As of June 30, 2011, the fair value of funds on deposit with STAR Ohio was \$513,719. The School District's investment in STAR Ohio had an average maturity of 58.3 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 7 - Receivables

Receivables at June 30, 2011, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, interfund, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Other Governmental Funds	
Education Jobs	\$127,448
Title I	35,310
Total Intergovernmental Receivables	<u>\$162,758</u>

Note 8 - Income Taxes

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005, for ten years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - Property Taxes

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

Arcadia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 - Property Taxes (continued)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Hancock and Seneca Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2011, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$144,244 in the General Fund. The amount available as an advance at June 30, 2010, was \$132,477 in the General Fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

Arcadia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 - Property Taxes (continued)

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$57,296,220	77.29%	\$62,014,850	78.44%
Industrial/Commercial	7,938,910	10.71	7,813,930	9.88
Public Utility	8,902,230	12.00	9,235,130	11.68
Total Assessed Value	<u>\$74,137,360</u>	<u>100%</u>	<u>\$79,063,910</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$32.81		\$32.03	

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$27,410	\$0	\$0	\$27,410
Depreciable Capital Assets				
Land Improvements	177,064	0	0	177,064
Buildings and Building Improvements	1,247,652	1,525	0	1,249,177
Furniture, Fixtures, and Equipment	718,861	1,938	0	720,799
Vehicles	746,732	0	0	746,732
Total Depreciable Capital Assets	<u>2,890,309</u>	<u>3,463</u>	<u>0</u>	<u>2,893,772</u>
Governmental Activities				
Less Accumulated Depreciation				
Land Improvements	(40,795)	(3,307)	0	(44,102)
Buildings and Building Improvements	(446,753)	(24,016)	0	(470,769)
Furniture, Fixtures, and Equipment	(427,938)	(30,199)	0	(458,137)
Vehicles	(263,923)	(36,752)	0	(300,675)
Total Accumulated Depreciation	<u>(1,179,409)</u>	<u>(94,274)</u>	<u>0</u>	<u>(1,273,683)</u>
Depreciable Capital Assets, Net	<u>1,710,900</u>	<u>(90,811)</u>	<u>0</u>	<u>1,620,089</u>
Governmental Activities				
Capital Assets, Net	<u>\$1,738,310</u>	<u>(\$90,811)</u>	<u>\$0</u>	<u>\$1,647,499</u>

During fiscal year 2011, the School District accepted contributions of depreciable capital assets from outside sources with a fair value of \$1,525.

Arcadia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 10 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$8,991
Special	288
Vocational	971
Support Services:	
Pupils	747
Instructional Staff	729
Administration	766
Fiscal	1,238
Operation and Maintenance of Plant	17,417
Pupil Transportation	36,110
Non-Instructional Services	9,336
Extracurricular Activities	17,681
Total Depreciation Expense	<u>\$94,274</u>

Note 11 - Interfund Assets/Liabilities

At June 30, 2011, the General Fund had an interfund receivable, in the amount of \$5,600, from other governmental funds to alleviate deficit cash balances. Amounts are expected to be repaid within one year.

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted for the following insurance coverage:

Coverage provided by Netherlands Insurance Company is as follows:

Building and Contents/Boiler and Machinery	\$18,737,463
General School District Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Automobile Liability	1,000,000
Umbrella Liability	4,000,000

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

Note 12 - Risk Management (continued)

The School District participates in the Hancock County Schools Health Benefit Fund (Fund), a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The School District pays monthly premiums to the Fund for employee medical, dental, and life insurance benefits. The Fund is responsible for the management and operations of the program. Upon withdrawal from the Fund, a participant is responsible for the payment of all Fund liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Note 13 - Defined Benefit Pension Plans (continued)

A DBP or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$311,495 and \$6,187 for the fiscal year ended June 30, 2011, \$317,728 and \$5,902 for the fiscal year ended June 30, 2010, and \$330,607 for the fiscal year ended June 30, 2009. For fiscal year 2011, 85 percent has been contributed for both the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The contribution to STRS Ohio for the DCP for fiscal year 2011 was \$7,374 made by the School District and \$5,267 made by the plan members. In addition, member contributions of \$4,420 were made for fiscal year 2011 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount 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, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$70,694, \$72,239, and \$60,850, respectively. For fiscal year 2011, 28 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 13 - Defined Benefit Pension Plans (continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2011, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit Health Care 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. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$25,004, \$25,433, and \$25,646, respectively. For fiscal year 2011, 85 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Note 14 - Postemployment Benefits (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2011, this amount was \$35,800. For fiscal year 2011, the School District paid \$9,613 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$8,560, \$2,600, and \$27,848, respectively. For fiscal year 2011, 28 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$4,549, \$4,296, and \$5,021, respectively. For fiscal year 2011, 28 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 15 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days both classified and certified employees. Upon retirement, payment is made for three-tenths of the accrued but unused sick leave credit to a maximum of sixty days for both classified and certified employees.

B. Health Care Benefits

The School District provides medical, dental, and vision insurance to all employees through the Hancock County Schools Health Benefit Fund. The School District offers life insurance to all employees through Fort Dearborn Life Insurance. Depending upon the plan chosen, the employees share the cost of monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

Arcadia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Amounts Due Within One Year
Governmental Activities					
Compensated Absences Payable	\$410,539	\$22,351	\$64,442	\$368,448	\$8,565

Compensated absences will be paid from the General Fund and the Food Service and Title I special revenue funds.

The School District's overall debt margin was \$6,303,526 with an unvoted debt margin of \$70,039 at June 30, 2011.

Note 17 - Set Asides

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

	Textbooks	Capital Improvements
Balance June 30, 2010	\$68,212	\$0
Current Year Set Aside Requirement	94,447	94,447
Qualifying Expenditures	(54,030)	(57,105)
Reserve Balance June 30, 2011	\$108,629	\$37,342

Note 18 - Fund Balance

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

Arcadia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 18 - Fund Balance (continued)

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

Fund Balance	General	Other Governmental	Total Governmental Funds
Nonspendable for:			
Prepaid Items	\$44	\$0	\$44
Inventory Held for Resale	0	7,028	7,028
Materials and Supplies			
Inventory	7,036	638	7,674
Total Nonspendable	7,080	7,666	14,746
Restricted for:			
Athletics and Music	0	33,990	33,990
Bus Purchase	3,565	0	3,565
Capital Improvements	37,342	228,146	265,488
EMIS	0	12,625	12,625
Facilities Maintenance	0	1,030	1,030
Regular Instruction	0	1,035	1,035
Teacher Improvement	0	8,970	8,970
Technology Improvement	0	6,913	6,913
Textbooks and Instructional Materials	108,629	0	108,629
Total Restricted	149,536	292,709	442,245
Assigned for:			
Educational Activities	\$14,418	0	\$14,418
Unpaid Obligations	31,296	0	31,296
Total Assigned	45,714	0	45,714
Unassigned (Deficit):	2,981,163	(36,527)	2,944,636
Total Fund Balance	\$3,183,493	\$263,848	\$3,447,341

Note 19 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. 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 school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2011, the School District paid \$17,620 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

Note 19 - Jointly Governed Organizations (continued)

B. Millstream Career and Technology Center

The Millstream Career and Technology Center (Center) is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Center provides vocational instruction to students. The Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Treasurers from the Hancock and Putnam County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, 1219 West Main Cross, Suite 101, Findlay, Ohio 45840-3377.

C. Hancock County Local Professional Development Committee

The Hancock County Local Professional Development Committee (HCLPDC) was established in 1999 to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The HCLPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The HCLPDC is governed by a thirteen member Executive Board. Financial information can be obtained from the Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools, and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio 45822.

Note 20 - Insurance Pools

A. Hancock County Schools Health Benefit Fund

The Hancock County Schools Health Benefit Fund (Fund) is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The Fund is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to the employees of the participants. Each participants' superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington National Bank, concerning aspects of the administration of the Fund.

Note 20 - Insurance Pools (continued)

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Fund is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Huntington Insurance, P.O. Box 10079, 1695 Indian Wood Circle, Maumee, Ohio 43537.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 21 - Contingencies

A. Grants

The School 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

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

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ARCADIA LOCAL SCHOOL DISTRICT
Hancock County
Schedule of Federal Awards Expenditures
For the Year Ending June 30, 2011

Federal Grantor/Pass Through Grantor Number/Program Title	Pass Through Entity Number	CFDA Number	Federal Receipts	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Pass through Ohio Department of Development				
Nutrition Cluster:				
Cash Assistance:				
National School Lunch Program	047415-05PU-2011	10.555	\$78,413	\$78,413
National School Breakfast Program	047415-LLP4-2011	10.553	13,721	13,721
Non-Cash Assistance:				
National School Lunch Program	N/A	10.555	29,201	29,201
Total Nutrition Cluster			<u>121,335</u>	<u>121,335</u>
Total U.S. Department of Agriculture			121,335	121,335
<u>U.S. Department of Education</u>				
Direct Assistance				
Rural Education Achievement Program	N/A	84.358B	60,970	61,082
Pass through Ohio Department of Education				
ESEA Title I, Part A, Title I Grants to Local Education Agencies				
ARRA Title I-A - FY 11				
Title I - Targeted Asst. FY 10	N/A	84.389	6,283	26,149
Title I - Targeted Asst. FY 11	047415-C1S1-2010	84.010	11,825	11,840
	047415-C1S1-2011	84.010	44,719	41,596
Total Title I - Grants to Local Education Agencies			62,828	79,585
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children				
Special Education Cluster:				
ARRA ECSE - FY11				
ECSE FY11	N/A	84.392	3,769	3,769
Title VI - B - FY 11	N/A	84.173	2,750	2,750
	047415-6BSF-2011	84.027	111,135	111,135
Total Title VI - B, Special Education - Assistance to States			117,654	117,654
ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)				
	N/A	84.394	148,324	189,373
Title II-D Technology				
Title II-D -FY10	N/A	84.318	509	539
Title II-D -FY11	N/A	84.318	184	155
Total Title II-D			693	694
Title II-A, Improv. Teacher Quality - FY10	047415-TRS1-2010	84.367	9,623	730
Title II-A, Improv. Teacher Quality - FY11	047415-TRS1-2011	84.367	25,269	23,584
Total Title II-A, Improv. Teacher Quality			34,892	24,314
Total U.S. Department of Education			<u>425,361</u>	<u>472,702</u>
Total Federal Awards			<u>\$ 546,696</u>	<u>\$ 594,037</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

ARCADIA LOCAL SCHOOL DISTRICT
Hancock County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2011

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2011, the District had food commodities in inventory.

3. N/A – Information not available.

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

Arcadia Local School District
Hancock County
19033 State Route 12
Arcadia, Ohio 44804

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arcadia Local School District, (District), Hancock County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2011, wherein we noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items ALSD-2011-001 and ALSD-2011-002.

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



Charles E. Harris and Associates, Inc.
December 30, 2011

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Certified Public Accountants

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Arcadia Local School District
Hancock County
19033 State Route 12
Arcadia, Ohio 44804

To the Board of Education:

Compliance

We have audited the Arcadia Local School District, Hancock County, Ohio's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the Arcadia Local School District, Hancock County, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Arcadia Local School District, Hancock County, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Education, the audit committee, others within the entity, federal awarding agencies, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles Harris Associates

CHARLES E. HARRIS & ASSOCIATES, INC.
December 30, 2011

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**Arcadia Local School District
Hancock County
June 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Special Education - CFDA #84.027 ECSE - CFDA #84.173 ARRA - ECSE - CFDA #84.392 ARRA - SFSF - CFDA #84.394
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

SCHEDULE OF FINDINGS - (continued)
OMB CIRCULAR A-133 SECTION .505

ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY
June 30, 2011

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

Finding Number ALSD-2011-001 – Non-compliance Citation

Ohio Revised Code Section 5705.39 requires that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The following funds had total appropriations exceeding estimated resources.

	Estimated Resources	Total Appropriations	Variance
Special Revenue Funds:			
Miscellaneous Grants	\$1,785	\$1,875	(\$90)
Miscellaneous State Grants	(807)	0	(807)
Title II-A	25,266	26,330	(1,064)
Title II-D	(10)	0	(10)
REAP	29,905	74,030	(44,125)

Management's Response:

The Treasurer will monitor estimated resources in comparison with appropriations.

Finding Number ALSD-2011-002 – Non-compliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated and unless it has been appropriated as provided in such chapter.

At June 30, 2011, the following funds' expenditures exceeded total appropriations:

Special Revenue Funds:
Food Service (\$8,540)
Miscellaneous Grants (\$702)
OneNet (\$5,909)
Fiscal Stabilization (\$189,373)
Title II-A (\$653)
REAP (\$9,976)

Management's Response:

The Treasurer will monitor expenditures in comparison with appropriations.

3. FINDINGS FOR FEDERAL AWARDS

None

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2011**

The audit report, for the year ending June 30, 2010, reported no material citations or recommendations.

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Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Arcadia Local School District
Hancock County
19033 State Route 12
Arcadia, Ohio 44804

To the Board of Education:

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

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

We noted the Board of Education amended its anti-harassment policy at its meeting on March 17, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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



Charles E. Harris & Associates, Inc.
December 30, 2011



Dave Yost • Auditor of State

ARCADIA LOCAL SCHOOL DISTRICT

HANCOCK 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 20, 2012