



Dave Yost • Auditor of State



**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Arcanum Butler Local School District  
Darke County  
2011 Trojan Ave.  
Arcanum, Ohio 45304

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 Arcanum Butler Local School District, Darke County, Ohio (the School District) as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Arcanum Butler Local School District, Darke County, Ohio, as of June 30, 2011, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during the year ended June 30, 2011, the School District adopted the provisions of Government Accounting Standards 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 January 3, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. The Schedule of Federal Awards Receipts and Disbursements is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However, these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

January 3, 2012

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED**

This discussion and analysis of the Arcanum-Butler Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Highlights**

Key highlights for fiscal year 2011 are as follows:

- Net assets decreased \$8,461,312.
- General receipts accounted for \$8,945,068 in receipts or 73% of all receipts. Program specific cash receipts in the form of charges for services, grants, contributions, and interest accounted for \$3,231,417, or 27% of total receipts.
- The School District had \$20,637,797 in disbursements related to governmental activities; only \$3,231,417 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General receipts of \$8,945,068 were used to help fund some of these disbursements.
- The General Fund had a decrease in fund balance of \$7,057 during fiscal year 2011. The Building Fund had a decrease in fund balance of \$1,345,388 and the Classroom Facilities Fund had a decrease in fund balance of \$7,283,967 during fiscal year 2011.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the District as a Whole**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2011, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for the District's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the program.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the condition of the District's capital assets and the reliance on non-local financial resources for operations.

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation of non-instructional services and extracurricular activities. The School District does not have any business-type activities.

**Reporting the District's Most Significant Funds**

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The fund financial statements provide a detailed view of the District's operations and the basic services it provides. Fund information helps determine whether there are more or less financial resources that can be spent to finance the District's activities. The District's significant funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major funds are the General Fund, the Building Fund, and the Classroom Facilities Fund.



**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Governmental Funds**

All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**The District as a Whole**

Table 1 provides a summary of the District's net assets for 2011 compared to 2010 on a modified cash basis:

<b>Table 1</b>		
<b>Net Assets</b>		
	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
Total Assets	\$7,101,354	\$15,562,666
<b>Net Assets:</b>		
<b>Restricted for:</b>		
Debt Service	397,667	314,036
Capital Outlay	3,723,106	12,352,461
Set-Asides	321,912	342,422
Other Purposes	533,898	401,989
Unrestricted	2,124,771	2,151,758
Total Net Assets	\$7,101,354	\$15,562,666

Total net assets decreased \$8,461,312 during fiscal year 2011. Net assets restricted for capital outlay decreased due to payment of construction expenses from the classroom facilities monies.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets in fiscal year 2011, and a comparative balance to fiscal year 2010.

**Table 2  
Changes in Net Assets**

	<b>2011</b>	<b>2010</b>
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	\$1,258,976	\$ 1,121,914
Operating Grants, Contributions and Interest	910,351	1,008,434
Capital Grants and Contributions	1,062,090	6,666,426
Total Program Revenues	<u>3,231,417</u>	<u>8,796,774</u>
<b>General Revenues:</b>		
Property Taxes	2,687,334	2,720,107
Income Tax	1,554,852	1,604,002
Grants and Entitlements	4,549,938	4,593,202
Investment Earnings	41,012	(76,659)
Miscellaneous	111,932	9,542
Total General Revenues	<u>8,945,068</u>	<u>8,850,194</u>
Total Revenues	<u>12,176,485</u>	<u>17,646,968</u>
<b>Program Expenses</b>		
<b>Instruction:</b>		
Regular	5,043,341	4,814,814
Special	890,107	935,246
Vocational	77,096	77,129
Other	48,752	37,014
<b>Support Services:</b>		
Pupils	467,273	519,369
Instructional Staff	581,192	516,810
Board of Education	99,203	81,726
Administration	720,224	697,771
Fiscal	248,469	251,529
Operation and Maintenance of Plant	902,922	667,643
Pupil Transportation	450,546	458,091
Central	5,913	6,756
Operation of Non-Instructional Services	319,179	336,251
Extracurricular Activities	341,389	327,311
Capital Outlay	9,711,160	15,310,757
Principal Retirement	210,000	195,000
Interest and Fiscal Charges	521,031	527,106
Refund of Prior Year Receipts		2,134
Total Expenses	<u>20,637,797</u>	<u>25,762,457</u>
Increase (Decrease) in Net Assets	(8,461,312)	(8,115,489)
Net Assets – Beginning of Year – Restated- Note 3	15,562,666	23,664,962
Net Assets – End of Year	<u>\$7,101,354</u>	<u>\$15,549,473</u>

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Governmental Activities**

The largest source of receipts for governmental activities for fiscal year 2011 were unrestricted grants and entitlements, which accounted for 37% of all receipts. Property and income taxes accounted for about 35% of all receipts. Charges for services, which are mostly tuition and fees and lunchroom charges, were about 10% of total receipts during 2011. Capital grants and contributions, which were mostly Classroom Facilities monies for the State's share of the construction costs of the new school, accounted for about 9 % of total receipts, and operating grants and contributions accounted for about 7% of all receipts

Capital outlay expenditures, which were mostly construction costs for the new school, accounted for 47 percent of total cash disbursements for fiscal year 2011. Instruction accounted for approximately 29 percent of total cash disbursements for fiscal year 2011, with Regular Instruction making up the largest share at about 24 percent of total disbursements. Pupil and Instructional Staff support services accounted for about 5 percent of total disbursements. Board of Education, Administration, and Fiscal disbursements accounted for another 5 percent of disbursements. Operation and maintenance of plant disbursements increased due to moving into a new PK-12 facility. Capital outlay disbursements decreased due to less money being expended for the new school building construction costs during fiscal year 2011 as compared to 2010.

**Statement of Activities**

If you look at the Statement of Activities on page 12, you will see that the first column lists the major activities of the District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, restricted State entitlements and investment earnings. A comparative analysis to fiscal year 2010 is also presented.

**Table 3**

<b>Instruction:</b>	<b>Total Cost Of Services 2011</b>	<b>Net Cost of Services 2011</b>	<b>Total Cost of Services 2010</b>	<b>Net Cost of Services 2010</b>
Regular	\$5,043,341	\$4,304,860	\$4,814,814	\$4,107,438
Special	890,107	608,671	935,246	640,961
Vocational	77,096	53,233	77,129	48,256
Other	48,752	48,752	37,014	37,014
<b>Support Services:</b>				
Pupils	467,273	235,552	519,369	237,577
Instructional Staff	581,192	514,380	516,810	444,626
Board of Education	99,203	80,206	81,726	81,726
Administration	720,224	720,224	697,771	697,771
Fiscal	248,469	248,469	251,529	251,529
Operation and Maintenance of Plant	902,922	664,515	667,643	470,235
Pupil Transportation	450,546	374,850	458,091	381,321
Central	5,913	913	6,756	1,756
Operation of Non-Instructional Svcs.	319,179	(26,314)	336,251	(3,933)
Extracurricular Activities	341,389	197,968	327,311	190,835
Capital Outlay	9,711,160	8,649,070	15,310,757	8,654,331
Principal Retirement	210,000	210,000	195,000	195,000
Interest and Fiscal Charges	521,031	521,031	527,106	527,106
Refund or Prior Year Receipts			2,134	2,134
<b>Total Expenses</b>	<b>\$20,637,797</b>	<b>\$17,406,380</b>	<b>\$25,762,457</b>	<b>\$16,965,683</b>

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

Charges for services and operating and capital grants of about 27 percent of total cash receipts were received and used to fund the expenses of the District. The remaining 73 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The District relies on these receipts to furnish the services it provides to students.

**The District's Funds**

Information about the District's major governmental fund begins on page 13. The District's major funds are the General Fund, the Building Fund and the Classroom Facilities Fund. All of the governmental funds had total receipts of \$12,176,484 and total disbursements of \$20,637,797. At the end of fiscal year 2011, unassigned fund balance of the General Fund was \$1,536,326. The greatest change within the funds occurred in the Classroom Facilities Fund, which had a decrease in fund balance of \$7,283,967, due to the payment of construction costs for the new school. The Building Fund had a decrease in fund balance of \$1,345,388, also due to the payment of construction costs.

**Major Funds Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The District's budget is adopted on a line item basis. The Board of Education adopts the budget at the fund and function level (i.e., General Fund – Regular Instruction).

During fiscal year 2011, the General Fund had original appropriations of \$8,608,422 and final appropriations of \$8,968,803. Actual expenditures plus encumbrances were \$9,095,493. Original estimated receipts were \$8,649,010 and final estimated receipts were \$8,844,976. Actual receipts for fiscal year 2011 were \$8,853,949.

**Capital Assets**

The District tracks its capital assets on the State EIS system.

**Debt**

At June 30, 2010, the School District had \$12,709,994 outstanding in general obligation bonds. These bonds are being paid through the Bond Retirement Fund with property tax revenue. During fiscal year 2011, the School District paid \$210,000 in principal on the bonds, so the balance of the bonds at June 30, 2011 was \$12,499,994. For more information on the School District's debt, see Note 15 of the notes to the basic financial statements.

**Current Financial Issues and Concerns**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. Recently, the State of Ohio has been able to hold school districts relatively harmless. However, due to decreasing revenues, this trend will be hard to continue. The school district could face difficult decisions in the near future if state funding is reduced.

The School District renewed a five-year 0.75% income tax levy on November 2, 2010. Continued renewal of the levy is essential to the financial health of the District.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Matt Huffman, Treasurer, Arcanum-Butler Local School District, 2011 Trojan Avenue, Arcanum, OH 45304.

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**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2011**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,041,712
Cash and Cash Equivalents with Fiscal Agent	59,642
Total Assets	<b>\$7,101,354</b>
 <b>Net Assets:</b>	
<b>Restricted for:</b>	
Debt Service	\$397,667
Capital Outlay	3,723,106
Set-Asides	321,912
Other Purposes	533,898
Unrestricted	2,124,771
Total Net Assets	<b>\$7,101,354</b>

*See accompanying notes to the basic financial statements.*

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Program Cash Receipts</u>			<b>Net (Disbursements) Receipts and Changes in Net Assets</b>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants Contributions and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$5,043,341	\$692,765	\$45,716		(\$4,304,860)
Special	890,107	166,778	114,658		(608,671)
Vocational	77,096		23,863		(53,233)
Other	48,752				(48,752)
<b>Support Services:</b>					
Pupil	467,273		231,721		(235,552)
Instructional Staff	581,192	25,738	41,074		(514,380)
Board of Education	99,203		18,997		(80,206)
Administration	720,224				(720,224)
Fiscal	248,469				(248,469)
Operation and Maintenance of Plant	902,922		238,407		(664,515)
Pupil Transportation	450,546		75,696		(374,850)
Central	5,913		5,000		(913)
Operation of Non-Instructional Services	319,179	240,896	104,597		26,314
Extracurricular Activities	341,389	132,799	10,622		(197,968)
Capital Outlay	9,711,160			\$1,062,090	(8,649,070)
Principal Retirement	210,000				(210,000)
Interest and Fiscal Charges	521,031				(521,031)
<b>Totals</b>	<u><u>\$20,637,797</u></u>	<u><u>\$1,258,976</u></u>	<u><u>\$910,351</u></u>	<u><u>\$1,062,090</u></u>	<u><u>(17,406,380)</u></u>
<b>General Receipts:</b>					
					1,931,444
					711,268
					44,622
					1,554,852
					4,549,938
					41,012
					111,932
					<u>8,945,068</u>
					(8,461,312)
					<u>15,562,666</u>
					<u><u>\$7,101,354</u></u>

See accompanying notes to the basic financial statements.



**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2011**

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,052,687	\$1,037,312	\$2,685,752	\$879,755	\$6,655,506
Cash and Cash Equivalents with Fiscal Agent				59,642	59,642
<b>Restricted Asset:</b>					
Equity in Pooled Cash and Cash Equivalents	386,206				386,206
<b>Total Assets</b>	<u>2,438,893</u>	<u>1,037,312</u>	<u>2,685,752</u>	<u>939,397</u>	<u>7,101,354</u>
<b>Fund Balances:</b>					
Restricted	386,206	1,037,312	2,685,752	867,313	4,976,583
Committed				72,084	72,084
Assigned	516,361				516,361
Unassigned	1,536,326				1,536,326
<b>Total Fund Balances</b>	<u>\$2,438,893</u>	<u>\$1,037,312</u>	<u>\$2,685,752</u>	<u>\$939,397</u>	<u>\$7,101,354</u>

*See accompanying notes to the basic financial statements.*

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
Property Taxes	\$1,931,444			\$755,890	\$2,687,334
Income Tax	1,554,852				1,554,852
Intergovernmental	4,423,523		\$1,015,757	1,026,113	6,465,393
Interest	41,012	\$12,554	33,779	6	87,351
Tuition and Fees	771,192			94,735	865,927
Customer Sales and Service				240,896	240,896
Extracurricular Activities	17,998			133,534	151,532
Contributions and Donations	5,394			10,622	16,016
Rent	121				121
Miscellaneous	80,752				80,752
<b>Total Receipts</b>	<u>8,826,288</u>	<u>12,554</u>	<u>1,049,536</u>	<u>2,261,796</u>	<u>12,150,174</u>
<b>Disbursements</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	4,919,827			123,514	5,043,341
Special	768,857			121,250	890,107
Vocational	76,642			454	77,096
Other	48,752				48,752
<b>Support Services:</b>					
Pupil	238,609			228,664	467,273
Instructional Staff	505,419			75,773	581,192
Board of Education	77,291			21,912	99,203
Administration	718,904			1,320	720,224
Fiscal	229,639			18,830	248,469
Operation and Maintenance of Plant	627,936			274,986	902,922
Pupil Transportation	363,236			87,310	450,546
Central				5,913	5,913
Operation of Non-instructional Activities	3,741			315,438	319,179
Extracurricular Activities	207,204			134,185	341,389
Capital Outlay	19,715	1,357,942	8,333,503		9,711,160
Principal				210,000	210,000
Interest				521,031	521,031
<b>Total Disbursements</b>	<u>8,805,772</u>	<u>1,357,942</u>	<u>8,333,503</u>	<u>2,140,580</u>	<u>20,637,797</u>
Excess of Revenues Under Expenditures					
Excess of Receipts Over (Under) Disbursements	<u>20,516</u>	<u>(1,345,388)</u>	<u>(7,283,967)</u>	<u>121,216</u>	<u>(8,487,623)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In				5,798	5,798
Transfers Out	(5,798)				(5,798)
Advances In	1,995			49,436	51,431
Advances Out	(49,436)			(1,995)	(51,431)
Refund of Prior Year Expenditures	4,077			644	4,721
Proceeds from Sale of Capital Assets	21,589				21,589
<b>Total Other Financing Sources(Uses)</b>	<u>(27,573)</u>			<u>53,883</u>	<u>26,310</u>
Net Change in Fund Balances	(7,057)	(1,345,388)	(7,283,967)	175,099	(8,461,313)
Fund Balances Beginning of Year - Restated (Note 3)	<u>2,445,950</u>	<u>2,382,700</u>	<u>9,969,719</u>	<u>764,298</u>	<u>15,562,667</u>
Fund Balances End of Year	<u>\$2,438,893</u>	<u>\$1,037,312</u>	<u>\$2,685,752</u>	<u>\$939,397</u>	<u>\$7,101,354</u>

See accompanying notes to the basic financial statements.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CASH REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property Taxes	\$1,990,910	\$2,185,713	\$1,931,444	(\$254,269)
Income Taxes	1,600,000	1,600,000	1,554,852	(45,148)
Intergovernmental	4,434,500	4,434,500	4,423,523	(10,977)
Tuition and Fees	552,750	552,750	771,192	218,442
Interest	28,500	28,500	41,012	12,512
Extracurricular Activities	17,600	18,763	17,998	(765)
Rent			121	121
Gifts and Donations	15,000	15,000	5,394	(9,606)
Miscellaneous	2,000	2,000	80,752	78,752
<b>Total Revenues</b>	<u>8,641,260</u>	<u>8,837,226</u>	<u>8,826,288</u>	<u>(10,938)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,719,195	4,942,118	4,940,732	1,386
Special	770,897	801,901	801,834	67
Vocational	78,305	79,110	79,111	(1)
Other	42,203	51,112	51,112	
<b>Support Services:</b>				
Pupil	244,434	241,503	241,504	(1)
Instructional Staff	395,202	531,809	530,519	1,290
Board of Education	77,736	78,043	78,041	2
Administration	722,004	726,108	726,107	1
Fiscal	232,091	239,398	239,398	
Operation and Maintenance of Plant	568,184	542,944	672,522	(129,578)
Pupil Transportation	498,985	406,213	406,211	2
Central	1,550			
Extracurricular Activities	232,521	207,203	207,204	(1)
Operation of Non-Instructional Services		3,741	3,741	
Capital Outlay	14,515	62,223	62,223	
<b>Total Expenditures</b>	<u>8,597,822</u>	<u>8,913,426</u>	<u>9,040,259</u>	<u>(126,833)</u>
Excess of Revenues Over (Under) Expenditures	<u>43,438</u>	<u>(76,200)</u>	<u>(213,971)</u>	<u>(137,771)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(7,500)	(5,798)	(5,798)	
Advances Out	(2,500)	(49,579)	(49,436)	143
Advances In			1,995	1,995
Proceeds from Sale of Capital Assets	7,500	7,500	21,589	14,089
Refund of Prior Year Receipts	(600)			
Refund of Prior Year Expenditures	250	250	4,077	3,827
<b>Total Other Financing Sources (Uses)</b>	<u>(2,850)</u>	<u>(47,627)</u>	<u>(27,573)</u>	<u>20,054</u>
Net Change in Fund Balance	40,588	(123,827)	(241,544)	(117,717)
Fund Balance Beginning of Year	2,289,857	2,289,857	2,289,857	
Prior Year Encumbrances Appropriated	156,096	156,096	156,096	
<b>Fund Balance End of Year</b>	<u>\$2,486,541</u>	<u>\$2,322,126</u>	<u>\$2,204,409</u>	<u>(\$117,717)</u>

See accompanying notes to the basic financial statements.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FFIDUCIARY FUNDS  
JUNE 30, 2011**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$11,758	\$11,479
Investments in Segregated Accounts	4,192	
Total Assets	15,950	11,479
<b>Liabilities:</b>		
Due to Students		\$11,479
<b>Net Assets:</b>		
Held in Trust for Scholarships	15,950	
	\$15,950	

*See accompanying notes to the basic financial statements.*

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Gifts and Contributions	\$3,315
Interest	259
Miscellaneous	143
	<u>3,717</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>9,525</u>
Change in Net Assets	(5,808)
Net Assets - Beginning of Year - Restated (Note 3)	<u>21,758</u>
Net Assets - End of Year	<u><u>\$15,950</u></u>

*See accompanying notes to the basic financial statements.*

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**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Arcanum-Butler 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 statute and federal guidelines.

The School District was originally established in 1885 and consolidated as the Arcanum-Butler Local School District through the consolidation of existing land areas and School Districts. The School District serves an area of approximately 54 square miles. It is located in Darke County, and includes all of the Villages of Arcanum, Ithaca, Gordon, and Castine and portions of Twin, Butler, VanBuren, and Neave Townships. It is staffed by 41 non-certificated employees, 78 certified full-time teaching personnel and 5 administrative employees who provide services to 1,022 students and other community members. The School District currently operates one building which houses all operations of the school.

**Reporting Entity:**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Arcanum-Butler 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, or for which the School District is not financially accountable but the nature and significance of the School District's relationship with the separate organization is such that it is required to be presented as a component unit. 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. Organizations for which the School District is not financially accountable are component units of the School District if (1) economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the School District or its constituents, (2) the School District is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the organization and (3) the economic resources received or held by the organization are significant to the School District. Arcanum-Butler Local School District has no component units.

The School District participates in three jointly governed organizations, two insurance purchasing pools, and a related organization. These organizations are discussed in Notes 11, 12 and 13 to the basic financial statements. These organizations are:

**Jointly Governed Organizations:**

- Metropolitan Dayton Educational Cooperative Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)**

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan  
Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

Related Organization:

Arcanum Public Library

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the modified cash-basis of accounting. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting.

**A. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either governmental or fiduciary.

**1. Governmental Fund Types**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

**General Fund** – The General Fund is the operating fund of the School District and 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.

**Building Fund** – The Building Capital Projects Fund accounts for the local share of the construction of the new school building financed through the issuance of bonds.

**Classroom Facilities Fund** – The Classroom Facilities Capital Projects Fund accounts for the receipts and expenditures associated with the State's share of the construction of the new school building.

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



**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Fiduciary Funds**

Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. The School District's fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature, where the District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for student activities' cash.

**B. Basis of Presentation**

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

**1. Government-wide Financial Statement of Net Assets and Statement of Activities**

These statements display information about the School District as a whole, except for fiduciary funds. The statements report governmental activities separately from business-type activities. The School District, however, does not have any business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the modified-cash basis or draws from the School District's general receipts.

**2. Fund Financial Statements**

Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**C. Basis of Accounting**

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when the liability is incurred. Any such modification made by the School District are described in the appropriate section in this note.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a result of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed for provided services not yet collected) and certain liabilities (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the fund and two digit function level within the General Fund and fund level for all other funds as its legal level of control.

The certificate of estimated resources may be amended during the year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**E. Cash, Cash Equivalents and Investments**

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds except the principal amount of the private purpose trust funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Investments of the private purpose trust funds are presented as "Investments in Segregated Accounts" on the financial statements. The balance of the grant activity administered by the fiscal agent is presented on the Statement of Net Assets as "Cash and Cash Equivalents with Fiscal Agent" and represents deposits of the Darke County Educational Service Center.

The School District invested in non-negotiable certificates of deposit, STAR Ohio, the Federal National Mortgage Association, Citigroup and mutual funds during fiscal year 2011. 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.

The District values investments and cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2011 were \$41,012, which included \$13,854 that was assigned from the General Fund to other funds.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less and those purchased from the cash management pool are deemed cash equivalents. Investments with an initial maturity of more than three months and not purchased from the pool are reported as investments.

**F. Restricted Assets**

Cash and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such restraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by law through constitutional provisions or other enabling legislation. Restricted cash and investments in the General Fund include amounts required by State Statute to be set aside for the purchase of textbooks and instructional materials, amounts restricted for bus purchases, and amounts restricted by the donor for baseball and softball fields.

**G. Inventory**

On the modified cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**H. Prepaid Items**

On the modified cash-basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as disbursements when made.

**I. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**J. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified-cash basis of accounting.

**K. Fund Balance Reserves**

Fund balance is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted fund balance is available.

Fund balance is reported as committed when the Board of Education of the School District has placed constraints on the use of resources by resolution.

Fund balance is reported as assigned when the Treasurer has encumbered or otherwise set aside resources not already committed to be used for a specific purpose.

Unassigned fund balance represents resources not restricted, committed or assigned to a specific purpose.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The School District applies committed resources first and then assigned resources when a disbursement is incurred for purposes which committed, assigned and unassigned fund balance is available.

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or 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 restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. Interfund Activity**

Permanent non-exchange flows of cash 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 on the fund financial statements and eliminated on the district wide statements. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS/FUND BALANCE**

For fiscal year 2011, the School District has implemented GASB Stmt No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides clearer fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. It establishes a hierarchy of fund balance classifications based on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Net assets of governmental activities were restated \$13,193, from \$15,549,474 to \$15,562,667 and net assets of the private purpose trust funds were restated \$13,193 from \$34,951 to \$21,758 at June 30, 2010 due to the implementation of this statement. The fund balance of the general fund was restated \$35,561, from \$2,410,389 to \$2,445,950 at June 30, 2010 and the fund balance of the other governmental funds was restated \$22,368 at June 30, 2010, from \$786,666 to \$764,298.

**4. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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 accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, Passbook accounts
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
7. The State Treasurer's investment pool (STAR Ohio).

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.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information discloses the risks associated with the Educational Service Center's deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

At June 30, 2011, the School District had \$1,000 in un-deposited cash on hand.

**A. Deposits**

At June 30, 2011, the book balance of the School District's deposits was \$3,928,014 and the bank balance was \$4,060,038.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June, 30, 2011, \$837,263 of the government's bank balance of \$4,060,038 was exposed to custodial credit risk in that it was uninsured and collateralized with collateral held by the third party agent but not in the School District's name.

**B. Investments**

As of June 30, 2011, the School District had the following investments:

<u>Investment</u>	<u>Amount</u>	<u>Maturity Date</u>
STAR Ohio	\$1,441,878	Various
Federal National Mortgage Association Note	250,000	09/30/15
Citigroup Bond	505,567	3/30/12
Mutual Funds	942,682	Various
	<u>\$3,140,127</u>	

**Interest Rate Risk:** State statute limits the maturity of investments to five years unless matched to a specific obligation or debt of the School District. The School District does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk:** The School District places no limit on the amount it may invest in any one issuer. 30% of the District's investments at June 30, 2011, were in the Invesco Government and Agency mutual funds, 16 % were in Citigroup, and 8% were in the Federal National Mortgage Association.

**Credit Risk:** State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. The School District's investments in the Federal National Mortgage Association and Citigroup were rated AAA by Moody's Investors Service and AAA by Standard & Poor's at June 30, 2011. The School District's investment in STAR Ohio was rated AAAM by Standards & Poor's at June 30, 2011.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 and No. 40 is as follows:

	<b>Cash and Cash Equivalents/ Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$7,124,591	\$ 4,192
Petty cash	(1,000)	
Cash with Fiscal Agent	(59,642)	
Investments:		
STAR Ohio	(1,441,878)	1,441,878
Federal National Mortgage Association Note	(250,000)	250,000
Citigroup Bond	(505,567)	505,567
Mutual Funds	(942,682)	942,682
Bliss Memorial Scholarship CD	4,192	(4,192)
GASB Statement No. 3	\$3,928,014	\$3,140,127

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax receipts received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 receipts received in calendar 2010 represents collections of calendar year 2010 taxes. Public utility real taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010, and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County 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.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**5. PROPERTY TAXES (Continued)**

The amount available as an advance at June 30, 2011 was \$244,421 in the General Fund, \$90,861 in the Bond Retirement Fund and \$5,680 in the Classroom Facilities Building Fund.

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 and Other Real Estate	\$105,478,630	95%	\$105,804,180	94%
Public Utility Personal	5,770,450	5	6,199,930	6
Total	\$111,249,080	100%	\$112,004,110	100%
Tax rate per \$1,000 of assessed valuation	\$34.15		\$34.15	

**6. INCOME TAX**

As of June 30, 2011, the School District levies a voted tax of a total of one and one half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. 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 receipts to the General Fund during fiscal year 2011 were \$1,554,852.

**7. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based on accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and the expenditure adjustment represents amounts incorrectly recorded. Which were adjusted on the modified cash basis. This amount is included as receipts on the modified cash basis operating statement.

The following table reconciles the modified cash basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
Modified Cash Basis	(\$ 7,057)
Adjustment for Encumbrances	(234,487)
Budgetary Basis	(\$241,544)



**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**8. RISK MANAGEMENT**

**A. Property and Liability**

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 with the Ohio Casualty Insurance Company for general liability, property, and fleet insurance. Coverage provided is as follows:

Buildings and Contents – replacement cost	\$23,885,968
Automobile Liability	1,000,000
Uninsured Motorist	1,000,000
School Board Legal Liability (\$2,500 deductible)	1,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate per member	2,000,000
Sexual abuse and molestation	
Per Occurrence	1,000,000
Aggregate per member	1,000,000
Errors and Omissions	1,000,000
Employer’s Liability and Stop Gap	
Per Occurrence	1,000,000
Total per year	1,000,000
Employee Benefit Liability	
Per Occurrence	1,000,000
Aggregate per member	3,000,000
Public Employee Dishonesty	50,000
Umbrella Liability	
Aggregate Limit	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

**B. Workers’ Compensation**

For fiscal year 2011, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). 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 participating school districts is calculated as one experience and a common premium rate is applied to all school districts 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. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling fund” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**8. RISK MANAGEMENT**

**C. Employee Medical Benefits**

For fiscal year 2011, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 12). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the MBP. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**9. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to 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 publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at [ohsers.org](http://ohsers.org) under Employers/Audit Resources.

For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate of 14 percent of annual covered payroll. The contributions requirement of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Healthcare Fund) of the system. For fiscal year 2011, the allocation to pension and death benefits is 11.8 percent of annual covered salary. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$125,183, \$132,823, and \$81,677 respectively; 100 percent has been contributed for all three years.

**B. State Teachers Retirement System of Ohio**

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 Comprehensive Annual Financial Report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan 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 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, 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 DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations; the same portion that was used to fund pension obligations for fiscal year 2010. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2011, 2010, and 2009 were \$519,170, \$526,108 and \$591,967 respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$17,231 made by the School District and \$12,308 made by the plan members.

**10. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2011, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's required contributions for the fiscal years ended June 30, 2011, 2010, and 2009, were \$39,936, \$40,470, and \$40,036. 83% has been contributed for fiscal year 2011 and 100% has been contributed for fiscal years 2010 and 2009.

The financial reports of the STRS Ohio's Health Care Stabilization Fund are included in its stand-alone report that can be obtained by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org) or by calling toll-free 1-888-227-7877.

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on income. SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. The School District's contributions for the fiscal years ended June 30, 2011, 2010, and 2009 were \$8,058, \$7,899, and \$6,740 which equaled the required contributions for the fiscal years.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2011, the health care allocation was 1.43 percent of covered payroll.

In addition, a surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

For fiscal year 2011, the minimum pay was established at \$35,800. The surcharge added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$30,886, \$20,337, and \$51,775 respectively.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

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

The financial reports of SERS' Health care and Medicare B Plans are included in its stand-alone report. That report may be obtained by visiting the SERS website at [ohsers.org](http://ohsers.org) under Employers/Audit Resources.

**11. JOINTLY GOVERNED ORGANIZATIONS**

**A. Metropolitan Dayton Educational Cooperative Association**

The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. 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 MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$31,492 for computer services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

**B. Southwestern Ohio Educational Purchasing Council**

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2011, the School District paid \$700 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**11. JOINTLY GOVERNED ORGANIZATIONS**

**C. Southwestern Ohio Instructional Technology Association**

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2011, the School District paid \$776 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**12. INSURANCE PURCHASING POOLS**

**A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan**

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by an eleven member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan**

The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating educational service center or school district serves on the general assembly. Each year, the participating educational service centers and school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**13. RELATED ORGANIZATION**

The Arcanum Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Arcanum-Butler Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely the Board of Trustees. The School District had no financial transactions with the Arcanum Public Library during fiscal year 2011. Financial information can be obtained from the Arcanum Public Library, Roberta J. Brown, Clerk/Treasurer, at 101 North Street, Arcanum, Ohio 45304.

**14. SET-ASIDE CALCULATIONS**

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 fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and instructional materials, capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

	<b>Textbooks and Instructional Materials</b>	<b>Capital Acquisition</b>
Set-aside Reserve Balance as of June 30, 2010	\$322,193	
Current Year Set-aside Requirement	150,625	\$150,625
Offsets		(44,622)
Qualifying Disbursements	(171,135)	(26,238)
Prior Year Offset from Bond Proceeds		(79,765)
Set-aside Balances Carried Forward to Future Fiscal Years	\$301,683	\$ 0
Set-aside Reserve Balances as of June 30, 2011	\$301,683	\$ 0

**15. LONG-TERM OBLIGATIONS**

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

	<b>Principal Outstanding 6/30/10</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/11</b>
Classroom Facilities Bonds 2008 3.00 – 4.50%	\$12,709,994	\$0	\$210,000	\$12,499,994

**Classroom Facilities General Obligation Bonds** – The School District issued bonds in the amount of \$13,039,994 to finance the construction of new school facilities. Of these bonds, \$3,755,000 are serial bonds, with maturity dates of December 1, 2008 to December 1, 2015 and December 1, 2019 to December 1, 2022. \$204,994 of the bonds are capital appreciation bonds, with maturity dates of December 1, 2016, 2017, and 2018. The maturity amount is \$360,000, \$370,000, and \$375,000, respectively. \$3,380,000 are term bonds maturing December 1, 2028, and \$5,700,000 are term bonds maturing December 1, 2035.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

The current interest term bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amount as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2023	\$485,000
2024	515,000
2025	545,000
2026	580,000
2027	610,000

The remaining principal amount of \$645,000 will be paid at stated maturity on December 1, 2028.

The current interest term bonds maturing on December 1, 2035 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2029	\$685,000
2030	725,000
2031	765,000
2032	810,000
2033	855,000
2034	905,000

The remaining principal amount of \$955,000 will be paid at stated maturity on December 1, 2035.

Principal and interest requirements to retire the school facilities construction and improvement bonds are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Serial Bonds</u>		<u>Capital Appreciation Bonds</u>		<u>Term Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 270,000	\$113,681				\$ 400,150
2013	290,000	105,281				400,150
2014	305,000	95,975				400,150
2015	320,000	85,818				400,150
2016	340,000	74,669				400,150
2017-2021	795,000	312,290	\$204,994	\$900,006		2,000,750
2022-2026	895,000	37,434			\$1,545,000	1,904,807
2027-2031					3,245,000	1,339,694
2032-2036					4,290,000	504,000
Total	<u>\$3,215,000</u>	<u>\$825,148</u>	<u>\$204,994</u>	<u>\$900,006</u>	<u>\$9,080,000</u>	<u>\$7,750,001</u>

The bonds will be paid from the Bond Retirement Debt Service Fund with property tax revenue.



**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**16. CONTINGENCIES**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement 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.

**17. COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District. Additionally, the School District did not comply with requirements regarding a project maintenance fund.

**18. FUND BALANCE**

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2011 were as follows:

<b>Fund Balance</b>	<b>General</b>	<b>Building</b>	<b>Classroom Facilities</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Restricted for:</b>					
Textbooks and Instructional Materials	\$301,683				\$ 301,683
Bus Purchases	42,295				42,295
Baseball/Softball fields	42,228				42,228
School construction		\$1,037,312	\$2,685,752		3,723,064
Facilities Maintenance				\$261,683	261,683
Debt Retirement				397,667	397,667
School Library				8,182	8,182
Special Education				65,120	65,120
Educational Mgmt. Info. Systems				1,296	1,296
Network Connectivity				1,692	1,692
Drug Education/Prevention				241	241
Food Service Operations				50,095	50,095
Athletics				80,811	80,811
Handicapped Preschool				526	526
<b>Total Restricted</b>	<b>386,206</b>	<b>1,037,312</b>	<b>2,685,752</b>	<b>867,313</b>	<b>4,976,583</b>

(Continued)

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**18. FUND BALANCE (Continued)**

<u>Fund Balance</u>	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Committed to:</b>					
Latchkey/Preschool				648	648
Uniform School Supplies				71,436	71,436
<b>Total Committed</b>				<b>72,084</b>	<b>72,084</b>
<b>Assigned for:</b>					
Unpaid Obligations	186,704				186,704
Capital Improvements	312,852				312,852
Educational Activities	16,805				16,805
<b>Total Assigned</b>	<b>516,361</b>				<b>516,361</b>
Unassigned	1,536,326				1,536,326
<b>Total Fund Balance</b>	<b>\$2,438,893</b>	<b>\$1,037,312</b>	<b>\$2,685,752</b>	<b>\$939,397</b>	<b>\$7,101,354</b>

**19. CONTRACTUAL COMMITMENTS**

As of June 30, 2011, the School District had significant purchase commitments as follows in the Building and Classroom Facilities funds:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/11</u>
D&M Excavating	Exterior Improvements	\$ 248,062	\$ 12,968	\$ 235,094
Zimmerman School Equipment	Loose Furnishings	20,800		20,800
Stan and Associates, Inc.	Commissioning Services	51,213	32,443	18,770
LEPI Enterprises	Asbestos Abatement	161,969	72,818	89,151
Messer Construction	General trades	9,076,000	8,943,411	132,589
Ohio Valley Integration	Technology Cabling	1,523,200	1,502,086	21,114
Reddy Electric	Electric	1,658,250	1,628,996	29,254
Apex Mechanical	HVAC	2,542,770	2,505,845	36,925
Slagle Mechanical	Plumbing	1,110,937	1,092,877	18,060
Brumbaugh Construction	Masonry Wall	24,500		24,500
A-1 Sprinkler and Systems	Fire Protection	337,520	322,083	15,437
Gateway Environmental	Demolition	354,400	30,608	323,792
Creative Cabinet Systems	Casework	668,940	643,487	25,453
Kenny Huston Company	Masonry	3,466,500	3,269,277	197,223
Continental Office	Loose Furnishings	17,619		17,619
		<b>\$21,262,680</b>	<b>\$20,056,899</b>	<b>\$1,205,781</b>

**ARCANUM BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School lunch Program		10.555		\$20,919		\$20,919
Cash Assistance:						
National School Lunch Program		10.555	\$93,975		\$93,975	
Total National School Lunch Program			<u>93,975</u>	<u>20,919</u>	<u>93,975</u>	<u>20,919</u>
Cash Assistance:						
National School Breakfast Program		10.553	8,445		8,445	
Total Child Nutrition Cluster			<u>102,420</u>	<u>20,919</u>	<u>102,420</u>	
Total U.S. Department of Agriculture			<u>102,420</u>	<u>20,919</u>	<u>102,420</u>	<u>20,919</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I Cluster:						
Title I Grant to Local Educational Agencies	2010	84.010	9,846		15,594	
	2011	84.010	75,372		77,566	
Total			<u>85,218</u>		<u>93,160</u>	
ARRA - Title I Grant to Local Educational Agencies						
	2010	84.389	4,615		2,646	
	2011	84.389	3,014		3,014	
Total			<u>7,629</u>		<u>5,660</u>	
Total Title I Cluster			<u>92,847</u>		<u>98,820</u>	
ARRA - State Fiscal Stabilization Fund						
	2010	84.394			51,903	
	2011	84.394	338,282		338,282	
Total ARRA State Fiscal Stabilization Fund			<u>338,282</u>		<u>390,185</u>	
Title II-D, Technology Programs						
	2011	84.318	821		821	
Title II-A Improving Teacher Quality						
	2010	84.367	885		885	
	2011	84.367	34,331		34,331	
Total Title II-1 Improving Teacher Quality			<u>35,216</u>		<u>35,216</u>	
Total U.S. Department of Education			<u>467,166</u>		<u>525,042</u>	
Total Federal Assistance			<u>\$569,586</u>	<u>\$20,919</u>	<u>\$627,462</u>	<u>\$20,919</u>

*The accompanying notes are an integral part of this schedule.*

**ARCANUM BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

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

Arcanum Butler Local School District  
Darke County  
2011 Trojan Ave  
Arcanum, Ohio 45304

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 Arcanum Butler Local School District, Darke County, (the School District) as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 3, 2012, wherein we noted the School District adopted the provisions of Government Accounting standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings and questioned costs to be a material weakness.

### Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 3, 2012.

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

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



**Dave Yost**  
Auditor of State

January 3, 2012



# Dave Yost • Auditor of State

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

Arcanum Butler Local School District  
Darke County  
2011 Trojan Ave.  
Arcanum, Ohio 45304

To the Board of Education:

### Compliance

We have audited the compliance of Arcanum Butler Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Arcanum Butler Local School District's major federal program for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

As described in finding 2011-003 in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding Activities Allowed or Un-allowed applicable to its State Fiscal Stabilization Fund major federal program. Compliance with this requirement is necessary, in our opinion for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Arcanum-Butler Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2011.

### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-003 to be a material weakness.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 3, 2012.

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

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



**Dave Yost**  
Auditor of State

January 3, 2012



**ARCANUM BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.394: State Fiscal Stabilization Fund – ARRA
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**1. Maintenance Fund Expenditures**

**FINDING NUMBER 2011-001**

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**Pursuant to Ohio Rev. Code Section 3318** Districts are to establish a project construction fund (Section 3318.08) to account for project funding and expenditures (USAS fund 010), and a project maintenance fund (Section 3318.05) to account for maintenance funding and expenditures (USAS fund 034). Districts should not account for local funding initiatives in these funds. Rather, a separate fund should be established.

The maintenance fund can only be used to maintain and repair completed facilities as identified in the approved maintenance plan, including preventative maintenance, periodic repairs, and the replacement of facility components. Routine janitorial and utility costs, equipment supplies and personnel costs associated with the day-to-day housekeeping and site upkeep are not allowable expenditures. No moneys other than costs associated with the development of the preventive maintenance plan may be expended out of fund 034 prior to the approval of the maintenance plan by the Commission. The construction manager is required to initiate the process of developing the plan at least six months prior to the completion of any facility for occupancy.

Contrary to the Ohio Rev. Code section above, the District expended \$131,433 (which accounted for 99% and 16% of expenditures and combined fund balance, respectively) out of the classroom maintenance fund for equipment and supplies during fiscal year 2011 and had not completed a Maintenance Plan which was approved by the Commission. This resulted in the District expending monies out of the classroom maintenance fund for an unallowable purpose. The District adjusted the financial statements and cash ledgers to record the expenditures to the General fund.

The District should complete its Maintenance fund plan and submit it to the Commission for approval. Expenditures should not be made against the District Maintenance fund until an approved plan is on file. At that time the District should implement policies to ensure that only allowable expenditures are made from the Maintenance fund.

**Official's Response:**

The maintenance equipment was purchased to clean the new school facility prior to staff and students moving into the new building. The maintenance plan has been submitted to the OSFC for approval. Once the plan is approved by the OSFC, maintenance expenditures will be charged to the 034 fund.

**2. Failure to File GAAP Financial Statements**

**FINDING NUMBER 2011-002**

**NONCOMPLIANCE**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**FINDING NUMBER 2011-002  
 (Continued)**

**Ohio Adm. Code Section 117-2-03(B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal year 2011 in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities and the disclosures required to accurately present the School District's financial condition.

**Official's Response:**

On September 20, 2004, the Board of Education unanimously agreed to approve filing on OCBOA 34 (other comprehensive basis of accounting) cash basis year-end report beginning with the fiscal year 2004 filing period. Due to the continuous pressure to minimize cost under the current school funding system, the Board of Education has agreed that costs associated with generating and auditing the reports on a GAAP basis far exceeds the benefits received by filing GAAP financial reports.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**1. State Fiscal Stabilization Funds Unallowable Expenditures**

<b>Finding Number</b>	2011-003
<b>CFDA Title and Number</b>	CFDA #84.394: State Fiscal Stabilization Fund – ARRA
<b>Federal Award Number / Year</b>	2010 and 2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**MATERIAL WEAKNESS/QUESTIONED COST**

**Section 14003(a) of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5)** states that a local education agency that receives funds under this title may use the funds for any activity authorized by the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) ("SEA"), the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.) ("IDEA"), the Adult Education and Family Literacy Act (20 U.S.C. 9201 et seq.), or the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2301 et seq.) ("the Perkins Act") or for modernization, renovation, or repair of public school facilities, including modernization, renovation, and repairs that are consistent with a recognized green building rating system.

**Section 14003(b) of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5)** states that a local educational agency may not use funds received under this title for —

**FINDING NUMBER 2011-003  
(Continued)**

1. payment of maintenance costs;
2. stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public;
3. purchase or upgrade of vehicles; or
4. improvement of stand-alone facilities whose purpose is not the education of children, including central office administration or operations or logistical support facilities.

The School District charged various electric, natural gas, and utilities for fiscal year 2011 to the State Fiscal Stabilization Fund which included services for the stadium, street lights, and concessions which is in direct violation of the above section. The District also charged electric, natural gas, and utilities for the new school building prior to having classes there, then the District paid for electric, natural gas and utilities at the old building after classes had moved to the new building. The amount of funding that was unallowable under the above guidelines totaled \$89,801. As a result, the costs of these services charged to the State Fiscal Stabilization Fund are considered to be questioned costs.

**Official's Response:**

The majority of the questioned costs are a result of the utilities for the classrooms in a transition period, both new and old school buildings. The classrooms were not used for any other purpose than regular instruction.

**ARCANUM BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	ORC 117.38 and OAC 117-2-03(B) – Failure to prepared financial statements in accordance with generally accepted accounting principles.	No	Repeat as finding 2011-002
2010-002	34 C.F.R Sec 80.23(a) – expenditures recorded under the wrong grant year and the Final Expenditure Report for Title I not being accurate due to not posting expenditures correctly	Yes	Corrected

**ARCANUM BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (C)  
FISCAL YEAR END JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-003	In the future the district will closely monitor federal expenditures to ensure they meet federal guidelines. Also, the district treasurer will use the OMB Cost Principles Circular A-87 as a tool to determine the allowability of federal expenditures.	12/31/11	Matt Huffman (937) 692- 5174



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Arcanum Butler Local School District  
Darke County  
2011 Trojan Avenue  
Arcanum, Ohio 45304

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 Arcanum Butler Local School District (the 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.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

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

**Dave Yost**  
Auditor of State

January 3, 2012

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# Dave Yost • Auditor of State

ARCANUM BUTLER LOCAL SCHOOL DISTRICT

DARKE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 9, 2012