

***ARCADIA LOCAL SCHOOL DISTRICT***

***HANCOCK COUNTY***

**Audit Report**

**For the Year Ended June 30, 2012**







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Arcadia Local School District, Hancock County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

April 1, 2014

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ARCADIA LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2012

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

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**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

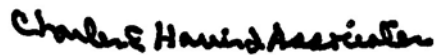
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Arcadia Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2012 which collectively comprise the District's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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



**Charles E. Harris & Associates, Inc.**  
January 24, 2014

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Arcadia Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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The discussion and analysis of Arcadia Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Highlights for fiscal year 2012 are as follows:

In total, net assets increased \$657,773, or almost 13 percent. Although the change in revenues and expenses was not significant, the continued excess of revenues over expenses provided for the overall increase in net assets.

General revenues accounted for 75 percent of total revenues and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted state entitlements.

**Using the Basic Financial Statements**

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

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

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

**Reporting the School District as a Whole**

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

Arcadia Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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

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

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

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

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

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2012 and fiscal year 2011:

Table 1  
Net Assets

	Governmental Activities		
	2012	2011	Change
<u>Assets:</u>			
Current and Other Assets	\$6,803,543	\$6,345,692	\$457,851
Capital Assets, Net	1,652,537	1,647,499	5,038
Total Assets	8,456,080	7,993,191	462,889

(continued)

Arcadia Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Table 1  
Net Assets  
(continued)

	Governmental Activities		
	2012	2011	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$2,459,339	\$2,655,893	\$196,554
Long-Term Liabilities	370,118	368,448	(1,670)
Total Liabilities	<u>2,829,457</u>	<u>3,024,341</u>	<u>194,884</u>
<u>Net Assets:</u>			
Invested in Capital Assets	1,652,537	1,647,499	5,038
Restricted	383,836	572,228	(188,392)
Unrestricted	3,590,250	2,749,123	841,127
Total Net Assets	<u>\$5,626,623</u>	<u>\$4,968,850</u>	<u>\$657,773</u>

There was an overall increase in total assets from the prior fiscal year of almost 6 percent. Within current and other assets, there was an increase in cash and cash equivalents of \$449,000 due to the excess of revenues over expenses in fiscal year 2012. Total liabilities decreased by 6 percent. There was a decrease in accrued wages owed as of fiscal year end due to the timing of pay periods and a decrease in deferred revenue related to taxes receivable.

Table 2 reflects the change in net assets for fiscal year 2012 and fiscal year 2011.

Table 2  
Change in Net Assets

	Governmental Activities		
	2012	2011	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$1,101,805	\$911,707	\$190,098
Operating Grants, Contributions, and Interest	561,360	642,240	(80,880)
Capital Grants, Contributions, and Interest	0	1,525	(1,525)
Total Program Revenues	<u>1,663,165</u>	<u>1,555,472</u>	<u>107,693</u>
General Revenues			
Property Taxes Levied for General Purposes	2,200,712	2,087,983	112,729
Income Taxes Levied for General Purposes	768,322	657,764	110,558
Grants and Entitlements	1,989,209	2,219,006	(229,797)
Interest	9,810	9,244	566
Gifts and Donations	13,683	13,823	(140)
Miscellaneous	31,144	49,112	(17,968)
Total General Revenues	<u>5,012,880</u>	<u>5,036,932</u>	<u>(24,052)</u>
Total Revenues	<u>6,676,045</u>	<u>6,592,404</u>	<u>83,641</u>

Arcadia Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Table 2  
Change in Net Assets  
(continued)

	Governmental Activities		
	2012	2011	Change
<u>Expenses</u>			
Instruction:			
Regular	\$2,618,110	\$2,680,453	\$62,343
Special	365,131	639,264	274,133
Vocational	329,176	300,621	(28,555)
Support Services:			
Pupils	231,981	230,057	(1,924)
Instructional Staff	206,564	194,118	(12,446)
Board of Education	24,262	36,946	12,684
Administration	631,383	600,018	(31,365)
Fiscal	194,324	204,913	10,589
Operation and Maintenance of Plant	514,404	343,179	(171,225)
Pupil Transportation	347,567	293,714	(53,853)
Central	3,970	1,054	(2,916)
Non-Instructional Services	303,064	268,183	(34,881)
Extracurricular Activities	248,336	325,038	76,702
Total Expenses	<u>6,018,272</u>	<u>6,117,558</u>	<u>99,286</u>
Increase in Net Assets	657,773	474,846	182,927
Net Assets at Beginning of Year	<u>4,968,850</u>	<u>4,494,004</u>	<u>474,846</u>
Net Assets at End of Year	<u><u>\$5,626,623</u></u>	<u><u>\$4,968,850</u></u>	<u><u>\$657,773</u></u>

Overall, revenues changed very little from the prior fiscal year with a modest increase of 1 percent.

Expenses also remained very similar to the prior fiscal year with a change of less than 2 percent. Not surprisingly, the major expense is for instruction, which accounts for 55 percent of total expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 13 percent of total expenses. Maintenance of the School District's facilities also represents a significant expense, almost 9 percent. Therefore, approximately 77 percent of the School District's expenses are directly related to the primary functions of providing facilities and delivering education.

Arcadia Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction:				
Regular	\$2,618,110	\$2,680,453	\$1,668,440	\$1,814,754
Special	365,131	639,264	160,566	443,318
Vocational	329,176	300,621	309,955	281,400
Support Services:				
Pupils	231,981	230,057	114,276	111,173
Instructional Staff	206,564	194,118	206,564	194,118
Board of Education	24,262	36,946	24,262	36,946
Administration	631,383	600,018	631,383	600,018
Fiscal	194,324	204,913	194,324	204,913
Operation and Maintenance of Plant	514,404	343,179	514,404	343,179
Pupil Transportation	347,567	293,714	347,567	293,714
Central	3,970	1,054	3,970	1,054
Non-Instructional Services	303,064	268,183	5,065	1,520
Extracurricular Activities	248,336	325,038	174,331	235,979
Total Expenses	<u>\$6,018,272</u>	<u>\$6,117,558</u>	<u>\$4,355,107</u>	<u>\$4,562,086</u>

With the substantial contribution of general revenues for funding the School District's activities, only a limited number of activities are affected by program revenues. Approximately 36 percent of the costs for regular instruction are offset by program revenues, primarily from tuition and fees. The special instruction program also has approximately 56 percent of the costs offset by program revenues, primarily grants restricted for special instruction programs. Approximately 98 percent of the costs of the non-instructional program were paid for through cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Extracurricular activities costs are supported by music and athletic fees, ticket sales, gate receipts at musical and athletic events.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund had an increase in fund balance from the prior fiscal year of \$732,662, or almost 23 percent. There was a 5 percent increase in revenues (primarily tuition and fees), along a slight increase in expenditures; however, revenues continued to exceed expenditures, which led to the increase in fund balance.

Arcadia Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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**General Fund Budgeting Highlights**

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

During fiscal year 2012, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. For expenditures, changes from the original budget to the final budget were not significant; however, actual expenditures were almost 16 percent less than final budget amounts as savings were realized in almost all programs.

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2012, the School District had \$1,652,537 invested in capital assets (net of accumulated depreciation). Additions and disposals were minimal. For further information regarding the School District's capital assets, refer to Note 8 to the basic financial statements.

Debt

For fiscal year 2012, long-term obligations consisted of compensated absences, in the amount of \$370,118. Compensated absences will be paid from the General Fund and the Food Service and Title I special revenue funds. For further information regarding the School District's long-term obligations, refer to Note 14 to the basic financial statements.

**Current Issues**

In May 2009, the voters renewed a five-year 1 percent income tax levy to raise approximately \$786,000 annually. The renewal of this levy will be on the ballot in 2014.

In March 2012, voters approved two emergency levies; a three-year levy which will generate approximately \$305,000 annually and a four-year levy which will generate approximately \$440,000 annually.

The School District accepts open enrollment of students from other school districts. During the 2011/2012 school year, one hundred thirty-six students from other school districts attended Arcadia Local School District under the open enrollment program while only twenty-seven students left our School District to attend other schools.

Arcadia Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Melissa Patch, Treasurer, Arcadia Local School District, 19033 State Route 12, Arcadia, Ohio 44804.

Arcadia Local School District  
Statement of Net Assets  
June 30, 2012

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,235,084
Accounts Receivable	5,030
Accrued Interest Receivable	166
Intergovernmental Receivable	70,740
Inventory Held for Resale	3,044
Materials and Supplies Inventory	10,268
Income Taxes Receivable	359,253
Property Taxes Receivable	2,119,958
Nondepreciable Capital Assets	27,410
Depreciable Capital Assets, Net	1,625,127
Total Assets	<u>8,456,080</u>
 <u>Liabilities:</u>	
Accounts Payable	52,464
Accrued Wages and Benefits Payable	412,966
Matured Compensated Absences Payable	8,041
Intergovernmental Payable	142,570
Deferred Revenue	1,843,298
Long-Term Liabilities:	
Due Within One Year	15,448
Due in More Than One Year	354,670
Total Liabilities	<u>2,829,457</u>
 <u>Net Assets:</u>	
Invested in Capital Assets	1,652,537
Restricted For:	
Set Asides	57,945
Capital Projects	210,047
Other Purposes	115,844
Unrestricted	3,590,250
Total Net Assets	<u><u>\$5,626,623</u></u>

See Accompanying Notes to the Basic Financial Statements



Arcadia Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2012

	Program Revenues		Net (Expense) Revenue and Change in Net Assets Governmental Activities	
	Expenses	Charges for Services		Operating Grants, Contributions, and Interest
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$2,618,110	\$837,889	\$111,781	(\$1,668,440)
Special	365,131	26,273	178,292	(160,566)
Vocational	329,176	0	19,221	(309,955)
Support Services:				
Pupils	231,981	0	117,705	(114,276)
Instructional Staff	206,564	0	0	(206,564)
Board of Education	24,262	0	0	(24,262)
Administration	631,383	0	0	(631,383)
Fiscal	194,324	0	0	(194,324)
Operation and Maintenance of Plant	514,404	0	0	(514,404)
Pupil Transportation	347,567	0	0	(347,567)
Central	3,970	0	0	(3,970)
Non-Instructional Services	303,064	170,744	127,255	(5,065)
Extracurricular Activities	248,336	66,899	7,106	(174,331)
Total Governmental Activities	<u>\$6,018,272</u>	<u>\$1,101,805</u>	<u>\$561,360</u>	<u>(4,355,107)</u>

General Revenues:

Property Taxes Levied for General Purposes	2,200,712
Income Taxes Levied for General Purposes	768,322
Grants and Entitlements not Restricted to Specific Programs	1,989,209
Interest	9,810
Gifts and Donations	13,683
Miscellaneous	31,144
Total General Revenues	<u>5,012,880</u>
Change in Net Assets	657,773
Net Assets at Beginning of Year	4,968,850
Net Assets at End of Year	<u>\$5,626,623</u>

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2012

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,850,094	\$323,480	\$4,173,574
Accounts Receivable	5,030	0	5,030
Accrued Interest Receivable	166	0	166
Intergovernmental Receivable	0	70,740	70,740
Interfund Receivable	11,133	0	11,133
Inventory Held for Resale	0	3,044	3,044
Materials and Supplies Inventory	9,785	483	10,268
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	61,510	0	61,510
Income Taxes Receivable	359,253	0	359,253
Property Taxes Receivable	2,119,958	0	2,119,958
Total Assets	<u>\$6,416,929</u>	<u>\$397,747</u>	<u>\$6,814,676</u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$51,785	\$679	\$52,464
Accrued Wages and Benefits Payable	391,610	21,356	412,966
Matured Compensated Absences Payable	8,041	0	8,041
Intergovernmental Payable	129,073	13,497	142,570
Interfund Payable	0	11,133	11,133
Deferred Revenue	1,920,265	19,984	1,940,249
Total Liabilities	<u>2,500,774</u>	<u>66,649</u>	<u>2,567,423</u>
<u>Fund Balances:</u>			
Nonspendable	9,785	483	10,268
Restricted	61,510	330,615	392,125
Assigned	53,100	0	53,100
Unassigned	3,791,760	0	3,791,760
Total Fund Balances	<u>3,916,155</u>	<u>331,098</u>	<u>4,247,253</u>
Total Liabilities and Fund Balances	<u>\$6,416,929</u>	<u>\$397,747</u>	<u>\$6,814,676</u>

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District  
 Reconciliation of Total Governmental Fund Balances  
 to Net Assets of Governmental Activities  
 June 30, 2012

Total Governmental Fund Balances	\$4,247,253
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,652,537
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	4,955	
Intergovernmental Receivable	19,984	
Income Taxes Receivable	48,568	
Property Taxes Receivable	<u>23,444</u>	
		96,951

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(370,118)</u>
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Net Assets of Governmental Activities	<u><u>\$5,626,623</u></u>
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See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2012

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$2,210,241	\$0	\$2,210,241
Income Taxes	763,492	0	763,492
Intergovernmental	2,125,666	551,571	2,677,237
Interest	9,541	300	9,841
Tuition and Fees	862,196	0	862,196
Extracurricular Activities	2,145	64,754	66,899
Charges for Services	0	170,744	170,744
Gifts and Donations	13,683	16,075	29,758
Miscellaneous	16,943	14,201	31,144
Total Revenues	<u>6,003,907</u>	<u>817,645</u>	<u>6,821,552</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,429,438	185,750	2,615,188
Special	319,080	59,360	378,440
Vocational	327,821	0	327,821
Support Services:			
Pupils	116,856	114,054	230,910
Instructional Staff	195,843	9,584	205,427
Board of Education	24,262	0	24,262
Administration	638,505	0	638,505
Fiscal	193,264	0	193,264
Operation and Maintenance of Plant	520,218	281	520,499
Pupil Transportation	318,763	0	318,763
Central	3,970	0	3,970
Non-Instructional Services	0	292,100	292,100
Extracurricular Activities	175,071	83,843	258,914
Capital Outlay	8,154	5,423	13,577
Total Expenditures	<u>5,271,245</u>	<u>750,395</u>	<u>6,021,640</u>
Changes in Fund Balances	732,662	67,250	799,912
Fund Balances at Beginning of Year	3,183,493	263,848	3,447,341
Fund Balances at End of Year	<u>\$3,916,155</u>	<u>\$331,098</u>	<u>\$4,247,253</u>

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District  
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
 of Governmental Funds to Statement of Activities  
 For the Fiscal Year Ended June 30, 2012

Changes in Fund Balances - Total Governmental Funds \$799,912

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

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

Capital Outlay	100,120	
Depreciation	(95,082)	
	5,038	5,038

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

Property Taxes	(9,529)	
Income Taxes	4,830	
Intergovernmental	(142,774)	
Tuition and Fees	1,966	
	(145,507)	(145,507)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (1,670)

Change in Net Assets of Governmental Activities \$657,773

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$2,111,852	\$2,302,742	\$2,101,269	(\$201,473)
Income Taxes	618,000	577,116	689,333	112,217
Intergovernmental	2,153,378	2,033,135	2,125,666	92,531
Interest	11,500	10,935	9,529	(1,406)
Tuition and Fees	652,000	600,870	862,121	261,251
Extracurricular Activities	7,000	7,000	2,145	(4,855)
Gifts and Donations	13,900	13,281	13,683	402
Miscellaneous	43,800	43,710	15,129	(28,581)
Total Revenues	<u>5,611,430</u>	<u>5,588,789</u>	<u>5,818,875</u>	<u>230,086</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,795,657	2,795,657	2,481,871	313,786
Special	500,338	500,338	342,277	158,061
Vocational	354,910	354,910	337,692	17,218
Support Services:				
Pupils	125,435	125,435	117,978	7,457
Instructional Staff	194,472	201,972	203,312	(1,340)
Board of Education	65,300	46,100	30,680	15,420
Administration	643,155	650,155	637,001	13,154
Fiscal	238,427	238,427	199,963	38,464
Operation and Maintenance of Plant	807,139	805,639	560,876	244,763
Pupil Transportation	351,655	353,455	336,171	17,284
Central	2,750	4,950	3,970	980
Extracurricular Activities	277,472	255,472	179,912	75,560
Capital Outlay	118,500	120,700	8,268	112,432
Total Expenditures	<u>6,475,210</u>	<u>6,453,210</u>	<u>5,439,971</u>	<u>1,013,239</u>
Excess of Revenues Over (Under) Expenditures	<u>(863,780)</u>	<u>(864,421)</u>	<u>378,904</u>	<u>1,243,325</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	2,500	2,500	36	(2,464)
Refund of Prior Year Receipts	(300)	(4,000)	(3,651)	349
Total Other Financing Sources (Uses)	<u>2,200</u>	<u>(1,500)</u>	<u>(3,615)</u>	<u>(2,115)</u>
Changes in Fund Balance	(861,580)	(865,921)	375,289	1,241,210
Fund Balance at Beginning of Year	3,409,096	3,409,096	3,409,096	0
Prior Year Encumbrances Appropriated	58,880	58,880	58,880	0
Fund Balance at End of Year	<u>\$2,606,396</u>	<u>\$2,602,055</u>	<u>\$3,843,265</u>	<u>\$1,241,210</u>

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2012

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$58,268</u></u>
 <u>Liabilities:</u>	
Undistributed Assets	\$817
Due to Students	<u>57,451</u>
Total Liabilities	<u><u>\$58,268</u></u>

See Accompanying Notes to the Basic Financial Statements

**Note 1 - Description of the School District and Reporting Entity**

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

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

**Reporting Entity**

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

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

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Hancock County Schools Health Benefit Fund, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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



**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Governmental Funds**

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's only major governmental fund is the General Fund.

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

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2012. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various non-instructional staff-related and student-managed activities.

**C. Measurement Focus**

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**D. Basis of Accounting**

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

**Revenues - Exchange and Nonexchange Transactions**

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

**Deferred Revenues**

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

Property taxes for which there was an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

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

**E. Budgetary Process**

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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

**F. Cash and Investments**

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

During fiscal year 2012, investments were limited to STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2012.

**Note 2 - Summary of Significant Accounting Policies** (continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 was \$9,541, which includes \$177 assigned from other School District funds.

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

**G. Inventory**

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

**H. Restricted Assets**

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

**I. Capital Assets**

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

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**J. Interfund Assets/Liabilities**

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

**K. Compensated Absences**

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

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees who have accumulated unpaid leave are paid.

**L. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year.

**M. Net Assets**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**O. Fund Balance**

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

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

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

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

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

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

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

**P. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

**Note 2 - Summary of Significant Accounting Policies** (continued)

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

**Q. Estimates**

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

**Note 3 - Budgetary Basis of Accounting**

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

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



Arcadia Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 3 - Budgetary Basis of Accounting** (continued)

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

Changes in Fund Balance	
GAAP Basis	\$732,662
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2011, Received in Cash FY 2012	380,924
Accrued FY 2012, Not Yet Received in Cash	(564,142)
Expenditure Accruals:	
Accrued FY 2011, Paid in Cash FY 2012	(672,487)
Accrued FY 2012, Not Yet Paid in Cash	580,509
Unrecorded Cash Activity 2012	(1,778)
Prepaid Items	44
Materials and Supplies Inventory	(2,749)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(77,694)
Budget Basis	\$375,289

**Note 4 - Deposits and Investments**

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

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

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

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

**Note 4 - Deposits and Investments** (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$3,101,235 of the School District's bank balance of \$4,072,240 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Arcadia Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 4 - Deposits and Investments** (continued)

**Investments**

As of June 30, 2012, the fair value of funds on deposit with STAR Ohio was \$313,888. The School District's investment in STAR Ohio had an average maturity of 52.5 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Note 5 - Receivables**

Receivables at June 30, 2012, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, interfund, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Other Governmental Funds	
Education Jobs	\$33,755
IDEA Part-B	11,133
Title I	25,580
Early Childhood Special Education	<u>272</u>
Total Intergovernmental Receivables	<u><u>\$70,740</u></u>

**Note 6 - Income Taxes**

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

**Note 7 - Property Taxes**

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

Arcadia Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 7- Property Taxes** (continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Hancock and Seneca Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2012, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012, was \$253,216 in the General Fund. The amount available as an advance at June 30, 2011, was \$144,244 in the General Fund.

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

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

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$62,014,850	78.44%	\$62,000,920	77.65%
Industrial/Commercial	7,813,930	9.88	7,912,390	9.91
Public Utility	9,235,130	11.68	9,931,440	12.44
Total Assessed Value	<u>\$79,063,910</u>	<u>100%</u>	<u>\$79,844,750</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$32.03		\$32.35	

Arcadia Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**Note 8 - Capital Assets**

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

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$27,410	\$0	\$0	\$27,410
Depreciable Capital Assets				
Land Improvements	177,064	0	0	177,064
Buildings and Building Improvements	1,249,177	12,879	0	1,262,056
Furniture, Fixtures, and Equipment	720,799	87,241	0	808,040
Vehicles	746,732	0	(16,670)	730,062
Total Depreciable Capital Assets	2,893,772	100,120	(16,670)	2,977,222
Less Accumulated Depreciation				
Land Improvements	(44,102)	(3,308)	0	(47,410)
Buildings and Building Improvements	(470,769)	(24,568)	0	(495,337)
Furniture, Fixtures, and Equipment	(458,137)	(32,436)	0	(490,573)
Vehicles	(300,675)	(34,770)	16,670	(318,775)
Total Accumulated Depreciation	(1,273,683)	(95,082)	16,670	(1,352,095)
Depreciable Capital Assets, Net	1,620,089	5,038	0	1,625,127
Governmental Activities Capital Assets, Net	\$1,647,499	\$5,038	\$0	\$1,652,537

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$11,362
Special	288
Vocational	947
Support Services:	
Pupils	747
Instructional Staff	729
Administration	766
Fiscal	1,238
Operation and Maintenance of Plant	17,932
Pupil Transportation	34,611
Non-Instructional Services	9,428
Extracurricular Activities	17,034
Total Depreciation Expense	<u>95,082</u>

**Note 9 - Interfund Assets/Liabilities**

At June 30, 2012, the General Fund had an interfund receivable, in the amount of \$11,133, from other governmental funds to alleviate deficit cash balances. Amounts are expected to be repaid within one year.

**Note 10 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted for the following insurance coverage:

Coverage provided by Netherlands Insurance Company is as follows:

Building and Contents/Boiler and Machinery	\$16,863,717
General School District Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Automobile Liability	1,000,000
Umbrella Liability	4,000,000

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

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

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Note 11 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$300,010 and \$6,270 for the fiscal year ended June 30, 2012, \$311,495 and \$6,187 for the fiscal year ended June 30, 2011, and \$317,728 and \$5,902 for the fiscal year ended June 30, 2010. For fiscal year 2012, 83 percent has been contributed for both the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$7,312 made by the School District and \$5,223 made by the plan members. In addition, member contributions of \$4,479 were made for fiscal year 2012 for the defined contribution portion of the CP.

**Note 11 - Defined Benefit Pension Plans** (continued)

**B. School Employees Retirement System**

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$78,349, \$70,694, and \$72,239, respectively. For fiscal year 2012, 39 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2012, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 12 - Postemployment Benefits**

**A. State Teachers Retirement System**

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).



**Note 12 - Postemployment Benefits** (continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$24,122, \$25,004, and \$25,433, respectively. For fiscal year 2012, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**B. School Employees Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2012, this amount was \$35,800. For fiscal year 2012, the School District paid \$10,204 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$3,393, \$8,560, and \$2,600, respectively. For fiscal year 2012, 39 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2012, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$4,627, \$4,549, and \$4,296, respectively. For fiscal year 2012, 39 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**Note 13 - Other Employee Benefits**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

**Note 14 - Long-Term Obligations**

Changes in the School District’s long-term obligations during fiscal year 2012 were as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12	Amounts Due Within One Year
Governmental Activities					
Compensated Absences Payable	\$368,448	\$17,252	\$15,582	\$370,118	\$15,448
	\$368,448	\$17,252	\$15,582	\$370,118	\$15,448

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

The School District’s overall debt margin was \$6,312,353 with an unvoted debt margin of \$70,137 at June 30, 2012.

**Note 15 - Set Asides**

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

Arcadia Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 15 - Set Asides** (continued)

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2012.

	Capital Improvements
Balance June 30, 2011	\$37,342
Current Year Set Aside Requirement	103,121
Qualifying Expenditures	(82,518)
Reserve Balance June 30, 2012	\$57,945

**Note 16 - Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Other Governmental	Total Governmental Funds
Nonspendable for:			
Materials and Supplies			
Inventory	\$9,785	\$483	\$10,268
Restricted for:			
Athletics and Music	0	35,177	35,177
Bus Purchase	3,565	0	3,565
Capital Improvements	57,945	210,047	267,992
Emergency Management			
Information Systems	0	12,625	12,625
Facilities Maintenance	0	750	750
Food Service Operations	0	7,377	7,377
Inventory Held for Resale	0	3,044	3,044
Regular Instruction	0	35,535	35,535
Remedial Reading	0	5,055	5,055
Special Needs Children	0	3,651	3,651
Teacher Improvement	0	556	556
Technology Improvement	0	16,798	16,798
Total Restricted	61,510	330,615	392,125
Assigned for:			
Educational Activities	12,770	0	12,770
Unpaid Obligations	40,330	0	40,330
Total Assigned	53,100	0	53,100
Unassigned (Deficit)	3,791,760	0	3,791,760
Total Fund Balance	\$3,916,155	\$331,098	\$4,247,253

**Note 17 - Jointly Governed Organizations**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2012, the School District paid \$24,789 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

**B. Millstream Career and Technology Center**

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

**C. Hancock County Local Professional Development Committee**

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

**D. Northwestern Ohio Educational Research Council, Inc.**

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

**Note 18 - Insurance Pools**

**A. Hancock County Schools Health Benefit Fund**

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

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

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

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

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

**Note 19 - Contingencies**

**A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

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

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

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arcadia Local School District, Hancock County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 24, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

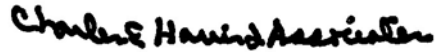
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

**Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 24, 2014.

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

A handwritten signature in black ink that reads "Charles E. Harris" followed by a stylized flourish.

**Charles E. Harris & Associates, Inc.**  
January 24, 2014



**ARCADIA LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY  
JUNE 30, 2012**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
ALSD-2011-001	Appropriations Exceeding Estimated Resources	Yes	No Longer Valid
ALSD-2011-002	Expenditures Exceeding Appropriations	Yes	No Longer Valid

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# Dave Yost • Auditor of State

**ARCADIA LOCAL SCHOOL DISTRICT**

**HANCOCK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 15, 2014**