



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Arcanum-Butler Local School District
Darke County
2 Weisenbarger Court
Arcanum, Ohio 45304

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arcanum-Butler Local School District, Darke County, Ohio (the District), as of and for the years ended June 30, 2009 and 2008, 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Arcanum-Butler Local School District, Darke County, Ohio, as of June 30, 2009 and 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2009, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 18, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

This discussion and analysis of the Arcanum-Butler Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for fiscal year 2009 are as follows:

- Net assets decreased \$7,351,874.
- General receipts accounted for \$9,274,500 in receipts or 53% of all receipts. Program specific cash receipts in the form of charges for services, grants, contributions, and interest accounted for \$8,061,452, or 47% of total receipts.
- The District had \$24,687,826 in disbursements related to governmental activities; only \$8,061,452 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General receipts of \$9,274,500 were used to help fund some of these disbursements.
- The General Fund had an increase in fund balance of \$581,658 during fiscal year 2009. The Bond Retirement Fund had a decrease in fund balance of \$13,238,242 and the Classroom Facilities Fund had an increase in fund balance of \$5,256,914 during fiscal year 2009.

Using the Basic Financial Statements

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

Report Components

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

Basis of Accounting

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

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

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for the District's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the program.

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

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

Reporting the District's Most Significant Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

Governmental Funds

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

The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

The District as a Whole

Table 1 provides a summary of the District's net assets for 2009 compared to 2008 on a cash basis:

Table 1		
Net Assets		
	2009	2008
Assets		
Total Assets	\$23,664,962	\$31,016,836
Net Assets		
Restricted for:		
Debt Service	212,657	13,450,899
Capital Outlay	21,099,099	15,835,635
Set-Asides	289,659	275,307
Other Purposes	317,904	276,658
Bus Purchases	20,229	6,412
Unrestricted	1,725,414	1,171,925
Total Net Assets	\$23,664,962	\$31,016,836

Total net assets decreased \$7,351,874 during fiscal year 2009. Net assets restricted for debt service decreased due to the revenue anticipation notes being paid off. Net assets restricted for capital outlay increased due to the drawdown of classroom facilities money. Unrestricted net assets increased due to an increase in income and property tax receipts, tuition from other districts, and relatively stable disbursements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in fiscal year 2009, and a comparative balance to fiscal year 2008.

	2009	2008
Revenues:		
Program Revenues:		
Charges for Services	\$ 993,775	\$ 591,096
Operating Grants, Contributions and Interest	465,761	767,274
Capital Grants and Contributions	6,601,916	3,130,297
Total Program Revenues	8,061,452	4,488,667
General Revenues:		
Property Taxes	2,626,371	2,222,882
Income Tax	1,712,898	1,453,410
Grants and Entitlements	4,853,715	4,696,442
Investment Earnings	52,385	96,690
Miscellaneous	29,131	19,093
General Obligation Bonds Issued		13,039,994
Revenue Anticipation Notes Issued		13,040,000
Total General Revenues	9,274,500	34,568,511
Total Revenues	17,335,952	39,057,178
Program Expenses:		
Regular	4,629,182	4,631,292
Special	841,257	798,026
Vocational	72,143	67,980
Other	19,693	
Support Services:		
Pupils	402,293	433,814
Instructional Staff	554,576	579,327
Board of Education	80,967	59,625
Administration	712,100	668,070
Fiscal	229,592	235,387
Operation and Maintenance of Plant	680,639	738,045
Pupil Transportation	464,783	483,503
Central	5,729	5,540
Operation of Non-Instructional Services	342,304	342,682
Extracurricular Activities	322,670	304,788
Capital Outlay	1,302,272	347,289
Principal Retirement	13,175,000	
Interest and Fiscal Charges	852,626	918
Total Expenses	24,687,826	9,696,286
Increase (Decrease) in Net Assets	(7,351,874)	29,360,892
Net Assets – Beginning of Year	31,016,836	1,655,944
Net Assets – End of Year	\$23,664,962	\$31,016,836

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

Governmental Activities

The largest source of receipts for governmental activities for fiscal year 2009 were capital grants and contributions, mostly from the Ohio School Facilities monies for the State's share of the construction costs of the new school. These accounted for 38% of all receipts. Unrestricted grants and entitlements were the next largest source of receipts in fiscal year 2009, accounting for 28% of receipts. Property and income taxes accounted for about 25% of all receipts.

Principal and interest retirement accounted for 57 percent of total cash disbursements for fiscal year 2009. This was due mostly to the payoff of the bond anticipation note. Instruction accounted for approximately 23 percent of total cash disbursements for fiscal year 2009, with Regular Instruction making up the largest share at about 19 percent of total disbursements. Capital outlay accounted for 5 percent of total disbursements. Pupil and Instructional Staff support services accounted for about 4 percent of total disbursements. Board of Education, Administration, and Fiscal disbursements accounted for another 4 percent of disbursements. Operation and maintenance of plant disbursements were about 3 percent of total disbursements. Transportation accounted for about 2 percent of total disbursements.

Statement of Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major activities of the District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, restricted State entitlements and investment earnings. A comparative analysis to fiscal year 2008 is also presented.

Table 3

	Total Cost Of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Instruction:				
Regular	\$ 4,629,182	\$ 4,027,118	\$4,631,292	\$4,162,561
Special	841,257	724,996	798,026	674,609
Vocational	72,143	57,693	67,980	55,206
Other	19,693	19,693		
Support Services:				
Pupils	402,293	396,309	433,814	222,937
Instructional Staff	554,576	463,180	579,327	475,277
Board of Education	80,967	80,967	59,625	59,625
Administration	712,100	712,100	668,070	668,070
Fiscal	229,592	229,592	235,387	235,387
Operation and Maintenance of Plant	680,639	680,639	738,045	738,045
Pupil Transportation	464,783	270,858	483,503	473,824
Central	5,729	729	5,540	540
Operation of Non-Instructional Services	342,304	21,337	342,682	29,054
Extracurricular Activities	322,670	160,364	304,788	188,162
Capital Outlay	1,302,272	(5,246,827)	347,289	(2,776,596)
Principal Retirement	13,175,000	13,175,000		
Interest and Fiscal Charges	852,626	852,626	918	918
Total Expenses	\$24,687,826	\$16,626,374	\$9,696,286	\$5,207,619

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

Charges for services and operating and capital grants of about 47 percent of total cash receipts were received and used to fund the expenses of the District. The remaining 53 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The District relies on these receipts to furnish the services it provides to students.

The District's Funds

Information about the District's major governmental funds begins on page 11. The District's major funds are the General Fund, the Bond Retirement Fund, the Building Fund and the Classroom Facilities Fund. All of the governmental funds had total receipts of \$17,339,807 and total disbursements of \$24,691,681. At the end of fiscal year 2009, unreserved fund balance of the General Fund was \$1,508,936. The greatest change within the funds occurred in the Bond Retirement Fund, which had a decrease in fund balance of \$13,238,242, due to the payoff of the bond anticipation note. The classroom facilities fund had an increase in fund balance of \$5,256,914 due to the classroom facilities monies received and not yet disbursed.

Major Funds Budgeting Highlights

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

During fiscal year 2009, the General Fund had original appropriations of \$8,881,257 and final appropriations of \$9,003,631. Actual expenditures plus encumbrances were \$8,619,889. Original estimated receipts were \$8,513,100 and final estimated receipts were \$8,471,851. Actual receipts for fiscal year 2009 were \$8,985,069.

Capital Assets

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

Debt

At June 30, 2008, the District had \$13,039,994 outstanding in general obligation bonds. These bonds are being paid through the Bond Retirement Fund with property tax revenue. During fiscal year 2009, the District paid \$135,000 in principal on the bonds, so the balance of the bonds at June 30, 2009 was \$12,904,994. For more information on the District's debt, see Note 15 of the notes to the basic financial statements.

Current Financial Issues and Concerns

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding.

Contacting the District's Financial Management

This financial report is designed to provide our citizens with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Matt Huffman, Treasurer, Arcanum-Butler Local School District, 2 Weisenbarger Court, Arcanum, OH 45304.

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

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2009**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$23,654,896
Cash and Cash Equivalents with Fiscal Agent	10,066
Total Assets	23,664,962
 Net Assets:	
Restricted for:	
Debt Service	212,657
Capital Outlay	21,099,099
Set-Asides	289,659
Bus Purchase	20,229
Other Purposes	317,904
Unrestricted	1,725,414
Total Net Assets	\$23,664,962

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Program Cash Receipts</u>			Net (Disbursements)
	<u>Cash</u>	<u>Charges</u>	<u>Operating Grants</u>	<u>Receipts and</u>
<u>Disbursements</u>	<u>for Services</u>	<u>Contributions</u>	<u>Capital Grants</u>	<u>Changes in</u>
		<u>and Interest</u>	<u>and Contributions</u>	<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$4,629,182	\$549,890	\$52,174	(\$4,027,118)
Special	841,257	45,056	71,205	(724,996)
Vocational	72,143	208	14,242	(57,693)
Other	19,693			(19,693)
Support Services:				
Pupil	402,293		5,984	(396,309)
Instructional Staff	554,576	67,249	24,147	(463,180)
Board of Education	80,967			(80,967)
Administration	712,100			(712,100)
Fiscal	229,592			(229,592)
Operation and Maintenance of Plant	680,639			(680,639)
Pupil Transportation	464,783		180,108	(270,858)
Central	5,729		5,000	(729)
Operation of Non-Instructional Services	342,304	222,815	98,152	(21,337)
Extracurricular Activities	322,670	108,557	14,749	(160,364)
Capital Outlay	1,302,272			5,246,827
Principal Retirement	13,175,000			(13,175,000)
Interest and Fiscal Charges	852,626			(852,626)
Totals	<u>\$24,687,826</u>	<u>\$993,775</u>	<u>\$465,761</u>	<u>\$6,601,916</u>
				<u>(16,626,374)</u>
General Receipts:				
				1,888,073
				693,537
				44,761
				1,712,898
				4,853,715
				52,385
				29,131
				<u>9,274,500</u>
				(7,351,874)
				<u>31,016,836</u>
				<u>\$23,664,962</u>

See accompanying notes to the basic financial statements.

ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2009

	General	Bond Retirement	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$1,725,414	\$212,657	\$3,882,309	\$17,216,748	\$307,880	\$23,345,008
Cash and Cash Equivalents with Fiscal Agent					10,066	10,066
Restricted Asset:						
Equity in Pooled Cash and Cash Equivalents	309,888					309,888
Total Assets	<u>2,035,302</u>	<u>212,657</u>	<u>3,882,309</u>	<u>17,216,748</u>	<u>317,946</u>	<u>23,664,962</u>
Fund Balances:						
Reserved for Encumbrances	216,478		40,709	509,945	19,635	786,767
Reserved for Textbooks and Instructional Materials	289,659					289,659
Reserved for School Bus Purchase	20,229					20,229
Unreserved:						
Undesignated, Reported in:						
General Fund	1,508,936					1,508,936
Special Revenue Funds					298,269	298,269
Debt Service Fund		212,657				212,657
Capital Projects Funds			3,841,600	16,706,803	42	20,548,445
Total Fund Balances	<u>\$2,035,302</u>	<u>\$212,657</u>	<u>\$3,882,309</u>	<u>\$17,216,748</u>	<u>\$317,946</u>	<u>\$23,664,962</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:						
Property Taxes	\$1,888,073	\$693,537			\$44,761	\$2,626,371
Income Tax	1,712,898					1,712,898
Intergovernmental	4,740,763	113,193		\$5,827,986	436,878	11,118,820
Interest	52,385		\$175,652	545,461	1,356	774,854
Tuition and Fees	522,929				139,042	661,971
Customer Sales and Service					222,815	222,815
Extracurricular Activities					128,207	128,207
Contributions and Donations	39,000				21,885	60,885
Miscellaneous	26,620					26,620
Total Receipts	<u>8,982,668</u>	<u>806,730</u>	<u>175,652</u>	<u>6,373,447</u>	<u>994,944</u>	<u>17,333,441</u>
Disbursements:						
Current:						
Instruction:						
Regular	4,509,771				119,411	4,629,182
Special	767,290				73,967	841,257
Vocational	71,750				393	72,143
Other	19,693					19,693
Support Services:						
Pupil	223,381				178,912	402,293
Instructional Staff	454,732				99,844	554,576
Board of Education	80,967					80,967
Administration	711,200	847			53	712,100
Fiscal	212,026	16,499			1,067	229,592
Operation and Maintenance of Plant	675,389				5,250	680,639
Pupil Transportation	464,783					464,783
Central	295				5,434	5,729
Operation of Non-instructional Activities	458				341,846	342,304
Extracurricular Activities	191,184				131,486	322,670
Capital Outlay	16,637		169,102	1,116,533		1,302,272
Principal		13,175,000				13,175,000
Interest		852,626				852,626
Total Disbursements	<u>8,399,556</u>	<u>14,044,972</u>	<u>169,102</u>	<u>1,116,533</u>	<u>957,663</u>	<u>24,687,826</u>
Excess of Receipts Over (Under) Disbursements	<u>583,112</u>	<u>(13,238,242)</u>	<u>6,550</u>	<u>5,256,914</u>	<u>37,281</u>	<u>(7,354,385)</u>
Other Financing Sources (Uses)						
Advances In					3,855	3,855
Advances Out	(3,855)					(3,855)
Proceeds from Sale of Capital Assets	110					110
Refund of Prior Year Expenditures	2,291				110	2,401
Total Other Financing Sources(Uses)	<u>(1,454)</u>				<u>3,965</u>	<u>2,511</u>
Net Change in Fund Balances	581,658	(13,238,242)	6,550	5,256,914	41,246	(7,351,874)
Fund Balances Beginning of Year	<u>1,453,644</u>	<u>13,450,899</u>	<u>3,875,759</u>	<u>11,959,834</u>	<u>276,700</u>	<u>31,016,836</u>
Fund Balances End of Year	<u>\$2,035,302</u>	<u>\$212,657</u>	<u>\$3,882,309</u>	<u>\$17,216,748</u>	<u>\$317,946</u>	<u>\$23,664,962</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Revenues:				
Property Taxes	\$1,895,000	\$1,895,000	\$1,888,073	(\$6,927)
Income Taxes	1,525,000	1,525,000	1,712,898	187,898
Intergovernmental	4,638,000	4,638,000	4,740,763	102,763
Tuition and Fees	355,000	355,000	522,929	167,929
Interest	91,000	49,751	52,385	2,634
Rent	9,000	9,000		(9,000)
Gifts and Donations			39,000	39,000
Miscellaneous	100	100	26,620	26,520
Total Revenues	<u>8,513,100</u>	<u>8,471,851</u>	<u>8,982,668</u>	<u>510,817</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,635,916	4,635,316	4,584,690	50,626
Special	816,115	816,115	783,505	32,610
Vocational	67,335	71,749	71,750	(1)
Other	37,500	37,500	23,933	13,567
Support Services:				
Pupil	281,250	281,250	233,447	47,803
Instructional Staff	466,589	475,118	475,122	(4)
Board of Education	59,666	82,666	82,053	613
Administration	674,942	724,711	724,710	1
Fiscal	267,009	267,009	215,849	51,160
Operation and Maintenance of Plant	739,268	739,268	696,768	42,500
Pupil Transportation	481,705	503,192	503,191	1
Central	900	900	295	605
Extracurricular Activities	179,734	191,654	191,184	470
Operation of Non-Instructional Services	525	525	458	67
Capital Outlay	172,203	172,203	29,079	143,124
Total Expenditures	<u>8,880,657</u>	<u>8,999,176</u>	<u>8,616,034</u>	<u>383,142</u>
Excess of Revenues Over (Under) Expenditures	<u>(367,557)</u>	<u>(527,325)</u>	<u>366,634</u>	<u>893,959</u>
Other Financing Sources (Uses):				
Advances Out		(3,855)	(3,855)	
Proceeds from Sale of Capital Assets			110	110
Refund of Prior Year Receipts	(600)	(600)		600
Refund of Prior Year Expenditures			2,291	2,291
Total Other Financing Sources (Uses)	<u>(600)</u>	<u>(4,455)</u>	<u>(1,454)</u>	<u>3,001</u>
Net Change in Fund Balance	(368,157)	(531,780)	365,180	896,960
Fund Balance Beginning of Year	1,254,011	1,254,011	1,254,011	
Prior Year Encumbrances Appropriated	<u>199,635</u>	<u>199,635</u>	<u>199,635</u>	
Fund Balance End of Year	<u>\$1,085,489</u>	<u>\$921,866</u>	<u>\$1,818,826</u>	<u>\$896,960</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2009**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$29,270	\$17,893
Investments in Segregated Accounts	4,192	
Total Assets	33,462	17,893
Liabilities:		
Due to Students		\$17,893
Net Assets:		
Held in Trust for Scholarships	33,462	
	\$33,462	

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Private Purpose Trust
Additions:	
Gifts and Contributions	\$3,835
Interest	427
Total Additions	4,262
 Deductions:	
Payments in Accordance with Trust Agreements	5,627
Change in Net Assets	(1,365)
Net Assets - Beginning of Year	34,827
Net Assets - End of Year	\$33,462

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District was originally established in 1885 and consolidated as the Arcanum-Butler Local School District through the consolidation of existing land areas and School Districts. The District serves an area of approximately 54 square miles. It is located in Darke County, and includes all of the Villages of Arcanum, Ithaca, Gordon, and Castine and portions of Twin, Butler, VanBuren, and Neave Townships. It is staffed by 42 non-certificated employees, 69 certified full-time teaching personnel and 5 administrative employees who provide services to 1,050 students and other community members. The District currently operates three instructional buildings, one administrative building and one garage.

A. Reporting Entity:

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

Component units are legally separate organizations for which the District is financially accountable, or for which the District is not financially accountable but the nature and significance of the District's relationship with the separate organization is such that it is required to be presented as a component unit. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Organizations for which the District is not financially accountable are component units of the District if (1) economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District or its constituents, (2) the District is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the organization and (3) the economic resources received or held by the organization are significant to the District. Arcanum-Butler Local School District has no component units.

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

Jointly Governed Organizations:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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

Insurance Purchasing Pools:

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

Related Organization:

Arcanum Public Library

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Fund Accounting

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

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

1. Governmental Fund Types

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

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

Bond Retirement Fund - The Bond Retirement Debt Service Fund accounts for property tax revenue and State exemption reimbursements collected for the payment of general obligation bonded debt.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Funds

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

B. Basis of Presentation

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

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

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

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

2. Fund Financial Statements

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

C. Basis of Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Budgetary Process

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

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

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

E. Cash, Cash Equivalents and Investments

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

The District invested in a non-negotiable certificate of deposit, STAR Ohio, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, Bank of America, and mutual funds during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes.

The District values investments and cash equivalents at cost.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2009 were \$52,385.

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

F. Restricted Assets

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

G. Inventory

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

H. Prepaid Items

On the cash-basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as disbursements when made.

I. Capital Assets

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

J. Accumulated Leave

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

K. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which are not available for appropriation or expenditure. Unreserved fund balance indicated that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, bus purchase, textbooks and instructional materials. The reserve for textbooks and instructional materials represents money required to be set-aside by state Statute for the purchase of textbooks and instructional materials, for the acquisition and construction of capital improvements and the bus reserve for the purchase of a bus.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Interfund Activity

Permanent nonexchange flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds on the fund financial statements and eliminated on the district wide statements. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

3. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2009, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The implementation of this statement had no effect on the financial statements as previously reported.

4. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 accounts, including passbook accounts.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2009, the District had \$796 in un-deposited cash on hand.

The District had "Cash and Cash Equivalents with Fiscal Agent" as of June 30, 2009 of \$10,066. The money is held by the Darke County Education Service Center, which is the fiscal agent for a couple of federal programs for several Darke County School Districts. The classification for the Darke County Educational Service Center as a whole can be obtained by writing to Emiko Augsburger, who serves as Treasurer, at 5279 Education Drive, Greenville, Ohio 45331.

A. Deposits

At June 30, 2009, the book balance of the District's deposits was \$5,583,717, and the bank balance was \$5,623,636.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June, 30, 2009, \$59,513 of the District's bank balance was exposed to custodial credit risk in that it was uninsured and collateralized with collateral held by the third party agent but not in the District's name.

B. Investments

As of June 30, 2009, the District had the following investments:

<u>Investment</u>	<u>Amount</u>	<u>Maturity Date</u>
STAR Ohio	\$ 1,357,662	Various
Federal National Mortgage Association	1,996,454	11/20/09
Federal Home Loan Mortgage Corporation	997,340	12/28/09
Federal Home Loan Bank Bond	1,090,103	8/14/09
Federal Home Loan Mortgage Corporation	1,028,279	9/1/09
Federal Home Loan Bank	1,063,882	3/12/10
Federal National Mortgage Association	1,054,054	6/1/10
Federal Home Loan Bank	1,370,000	10/22/10
Federal Home Loan Mortgage Corporation Note	1,000,000	4/29/11
Bank of America Bond	1,008,639	12/23/10
Citigroup Bond	505,571	3/30/12
Mutual Funds	5,649,754	Various
	<u>\$18,121,738</u>	

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

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. 31% of the District's investments at June 30, 2009, were in mutual funds, 20% were in the Federal Home Loan Bank, 17% were in the Federal National Mortgage Association Notes, 17% were in the Federal Home Loan Mortgage Corporation Notes, 7% were in STAR Ohio, 6% were in the Bank of America, and 2% were in Citigroup Bonds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. The District's investments in the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, Bank of America and Citigroup were rated AAA by Moody's Investors Service and AAA by Standard & Poor's at June 30, 2009. The District's investment in STAR Ohio was rated AAA by Moody's Investors Service and AAA by Standard & Poor's at June 30, 2009.

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$23,712,125	\$4,192
Petty cash	(796)	
Cash with Fiscal Agent	(10,066)	
Investments:		
STAR Ohio	(1,357,662)	1,357,662
Federal Home Loan Bank	(3,523,985)	3,523,985
Federal Home Loan Mortgage Corporation	(3,025,619)	3,025,619
Federal National Mortgage Association	(3,050,508)	3,050,508
Bank of America Bond	(1,008,639)	1,008,639
Citigroup Bond	(505,571)	505,571
Mutual Funds	(5,649,754)	5,649,754
Bliss Memorial Scholarship CD	4,192	(4,192)
GASB Statement No. 3	\$ 5,583,717	\$18,121,738

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax receipts received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

5. PROPERTY TAXES (Continued)

Public utility property tax receipts received in calendar 2008 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008, and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2009 (other than public utility property) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2009 on the value as of December 31, 2008. The tangible personal property tax was phased out over a four-year period, ending in 2009. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Darke County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The amount available as an advance at June 30, 2009 was \$290,919 in the General Fund, \$108,624 in the Bond Retirement Fund and \$6,748 in the Classroom Facilities Building Fund.

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$97,197,690	93%	\$104,749,470	95%
Public Utility Personal	5,616,050	5	5,553,280	5
Tangible Personal Property	1,896,640	2	0	0
Total	\$104,710,380	100%	\$110,302,750	100%
Tax rate per \$1,000 of assessed valuation	\$34.15		\$34.15	

6. INCOME TAX

As of June 30, 2009, the District levies a voted tax of a total of one and one half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts to the General Fund during fiscal year 2009 were \$1,712,898.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

7. BUDGETARY BASIS OF ACCOUNTING

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

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

Net Change in Fund Balance	
Cash Basis	\$581,658
Adjustment for Encumbrances	(216,478)
Budgetary Basis	\$365,180

8. RISK MANAGEMENT

A. Property and Liability

The 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 2009, the District contracted with Selective Insurance Company of South Carolina for liability and fleet insurance. The Southwest Ohio Educational Purchasing Council is the carrier for errors and omissions insurance while the Cincinnati Insurance Company is the carrier of property insurance.

Buildings and Contents – replacement cost	\$23,265,144
Automobile Liability	1,000,000
Uninsured Motorist	1,000,000
School Board Legal Liability (\$2,500 deductible)	
General Liability	
Per Occurrence	1,000,000
Aggregate per member	2,000,000
Sexual abuse and molestation	
Per Occurrence	1,000,000
Aggregate per member	1,000,000
Errors and Omissions	1,000,000
Employer’s Liability and Stop Gap	
Per Occurrence	1,000,000
Total per year	1,000,000
Employee Benefit Liability	
Per Occurrence	1,000,000
Aggregate per member	3,000,000
Public Employee blanket bond, money and securities, forgery	500,000
Umbrella Liability	
Aggregate Limit	5,000,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

8. RISK MANAGEMENT (Continued)

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

B. Workers' Compensation

For fiscal year 2009, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2009, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 12). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the MBP. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, Comprehensive Annual Financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800)878-5853. It is also posted on SERS website at www.ohsers.org under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.07 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$81,677, \$69,472, and \$100,189 respectively; 38 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a Comprehensive Annual Financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll free (888)227-7877 or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations; the same portion that was used to fund pension obligations for fiscal year 2009. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2009, 2008, and 2007 were \$591,967, \$532,461 and \$529,527 respectively; 79 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$4,265 made by the District and \$8,562 made by the plan members.

10. POSTEMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2009, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$40,036 for fiscal year 2009.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2008, (the latest information available) the balance in the Fund was \$3.7 billion. For the fiscal year ended June 30, 2008, net health care costs paid by STRS Ohio were \$288,878,000 and STRS Ohio had 126,506 eligible benefit recipients.

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was \$96.40; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was .75%. The District's contributions for the fiscal years ended June 30, 2009, 2008, and 2007 were \$6,740, \$5,006, and \$6,379 which equaled the required contributions for the fiscal years.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2009, the health care allocation was 4.16 percent of covered payroll. The actuarially required contribution as of the December 31, 2006 annual valuation was 11.50% of covered payroll.

The actuarially required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2009, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2009 fiscal year equaled \$51,775.

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

The financial reports of SERS' Health care and Medicare B Plans are included in its Comprehensive Annual Financial Report. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853, or by visiting the SERS website at ohsers.org under forms and publications.

11. JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Dayton Educational Cooperative Association

The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The District paid MDECA \$25,551 for computer services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

B. Southwestern Ohio Educational Purchasing Council

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2009, the District paid \$705 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

C. Southwestern Ohio Instructional Technology Association

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2008, the District paid \$875 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

12. INSURANCE PURCHASING POOLS

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

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

B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

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

13. RELATED ORGANIZATION

The Arcanum Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Arcanum-Butler Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely the Board of Trustees. The District had no financial transactions with the Arcanum Public Library during fiscal year 2009. Financial information can be obtained from the Arcanum Public Library, Roberta J. Brown, Clerk/Treasurer, at 101 North Street, Arcanum, Ohio 45304.

14. SET-ASIDE CALCULATIONS

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

14. SET-ASIDE CALCULATIONS (Continued)

	Textbooks and Instructional Materials	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2008	\$275,307	(\$12,687,701)
Current Year Set-aside Requirement	154,350	154,350
Offsets		(41,155)
Qualifying Disbursements	(139,998)	(17,817)
Set-aside Balances Carried Forward to Future Fiscal Years	289,659	(12,592,323)
Set-aside Reserve Balances as of June 30, 2009	\$289,659	(\$12,592,323)

15. LONG TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2009 were as follows:

	Principal Outstanding 6/30/08	Additions	Deductions	Principal Outstanding 6/30/09
Classroom Facilities Bonds 2008 - 3.00 – 4.50%	\$13,039,994	\$0	\$135,000	\$12,904,994

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

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

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

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

<u>Fiscal year Ending June 30,</u>	<u>Serial Bonds</u>		<u>Capital Appreciation Bonds</u>		<u>Term Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 195,000	\$ 126,956				\$ 400,150
2011	210,000	120,881				400,150
2012	270,000	113,681				400,150
2013	290,000	105,281				400,150
2014	305,000	95,975				400,150
2015-2019	660,000	366,642	\$204,994	\$900,006		2,000,750
2020-2024	1,690,000	143,570			\$ 485,000	1,990,444
2025-2029					2,895,000	1,603,907
2030-2034					3,840,000	859,626
2035-2038					1,860,000	84,826
Total	<u>\$3,620,000</u>	<u>\$1,072,986</u>	<u>\$204,994</u>	<u>\$900,006</u>	<u>\$9,080,000</u>	<u>\$8,540,303</u>

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

16. SHORT-TERM OBLIGATIONS

The District issued a \$13,040,000 bond anticipation note on December 20, 2007, for the purpose of financing the local share of the construction of the new school building. The note had an interest rate of 3.85% and was retired on August 12, 2008. There was no balance outstanding at June 30, 2009.

17. CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

18. COMPLIANCE

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

19. CONTRACTUAL COMMITMENTS

As of June 30, 2009, the District had a significant contractual purchase commitment as follows:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/09</u>
Bovis Lend Lease	Construction Management Fees	\$111,058	\$0	\$111,058

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

This discussion and analysis of the Arcanum-Butler Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for fiscal year 2008 are as follows:

- Net assets increased \$29,360,892, due to unspent bond and note proceeds.
- General receipts accounted for \$34,568,511 in receipts or 89% of all receipts. Program specific cash receipts in the form of charges for services, grants, contributions, and interest accounted for \$4,488,667, or 11% of total receipts.
- The District had \$9,696,286 in disbursements related to governmental activities; only \$4,488,697 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General receipts of \$34,568,511 were adequate to provide for these programs by \$29,360,892.
- The District's General, Bond Retirement, Building and Classroom Facilities Fund are the only major funds. The General Fund had \$8,399,082 in receipts and \$8,325,734 in disbursements. The General Fund balance increased by \$73,348 during fiscal year 2008.

Using the Basic Financial Statements

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

Report Components

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Basis of Accounting

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

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

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for the District's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the program.

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

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

Reporting the District's Most Significant Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using a cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid.

The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

The District as a Whole

Table 1 provides a summary of the District's net assets for 2008 compared to 2007 on a cash basis:

**Table 1
Net Assets**

	2008	2007
Assets		
Total Assets	\$31,016,836	\$1,655,944
Net Assets		
Restricted for:		
Debt Service	13,450,899	
Capital Outlay	15,835,635	42
Set-Asides	275,307	536,220
Other Purposes	276,658	303,761
Bus Purchase	6,412	
Unrestricted	1,171,925	815,921
Total Net Assets	\$31,016,836	\$1,655,944

Total net assets increased \$29,360,892 during fiscal year 2008. Net assets restricted for debt service and capital outlay increased due to the unspent proceeds of the general obligation bonds and revenue anticipation notes issued to finance the construction of the new school.

Table 2 reflects the changes in net assets in fiscal year 2008, and a comparative balance to fiscal year 2007.

Table 2

	2008	2007
Revenues:		
Program Revenues:		
Charges for Services	\$ 591,096	\$ 930,044
Operating Grants, Contributions and Interest	767,274	682,092
Capital Grants and Contributions	3,130,297	10,995
Total Program Revenues	4,488,667	1,623,131

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

**Table 2
(Continued)**

	2008	2007
Revenues: (Continued)		
General Revenues:		
Property Taxes	2,222,882	1,894,628
Income Tax	1,453,410	847,843
Grants and Entitlements	4,696,442	4,447,433
Investment Earnings	96,690	105,971
Miscellaneous	19,093	23,720
General Obligation Bonds Issued	13,039,994	
Revenue Anticipation Notes Issued	13,040,000	
Total General Revenues	34,568,511	7,319,595
Total Revenues	39,057,178	8,942,726
Program Expenses:		
Instruction:		
Regular	4,631,292	4,571,678
Special	798,026	758,425
Vocational	67,980	68,167
Support Services:		
Pupils	433,814	479,867
Instructional Staff	579,327	510,244
Board of Education	59,625	61,570
Administration	668,070	648,506
Fiscal	235,387	170,680
Operation and Maintenance of Plant	738,045	645,300
Pupil Transportation	483,503	368,190
Central	5,540	7,852
Operation of Non-Instructional Services	342,682	342,287
Extracurricular Activities	304,788	289,795
Capital Outlay	347,289	4,800
Refund of Prior Year Receipts	918	3,034
Total Expenses	9,696,286	8,930,395
Increase in Net Assets	29,360,892	12,331
Net Assets – Beginning of Year	1,655,944	1,643,613
Net Assets – End of Year	\$31,016,836	\$1,655,944

Governmental Activities

The largest source of receipts for governmental activities for fiscal year 2008 were bond proceeds and note proceeds issued to finance the local share of the construction of the new school, which accounted for 67% of total receipts. The notes were issued as short-term financing and paid off when they matured on August 12, 2008, with the proceeds of the bonds. Unrestricted grants and entitlements were the next largest source of receipts in fiscal year 2008, accounting for 12% of receipts. Property and income taxes accounted for about 9% of receipts and capital grants, contributions and interest, consisting mostly of Ohio School Facilities Commission monies, accounted for 8% of receipts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Instruction accounted for approximately 57 percent of total cash disbursements for fiscal year 2008, with Regular Instruction making up the largest share at about 48 percent of total disbursements. Pupil and Instructional Staff support services accounted for about 10 percent of total disbursements. Board of Education, Administration, and Fiscal disbursements accounted for another 10 percent of disbursements. Operation and maintenance of plant disbursements were about 8 percent of total disbursements. Transportation accounted for about 5 percent of total disbursements and Extracurricular Activities accounted for about 3 percent of total disbursements. Non-instructional services accounted for 4 percent of total disbursements. Capital outlay expenditures accounted for 4 percent of total disbursements.

Statement of Activities

If you look at the Statement of Activities on page 44, you will see that the first column lists the major activities of the District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, restricted State entitlements and investment earnings. A comparative analysis to fiscal year 2007 is also presented.

Table 3

	Total Cost Of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Instruction:				
Regular	\$4,631,292	\$4,162,561	\$4,571,678	\$4,054,719
Special	798,026	674,609	758,425	434,886
Vocational	67,980	55,206	68,167	49,631
Support Services:				
Pupils	433,814	222,937	479,867	266,894
Instructional Staff	579,327	475,277	510,244	410,549
Board of Education	59,625	59,625	61,570	61,570
Administration	668,070	668,070	648,506	648,506
Fiscal	235,387	235,387	170,680	170,680
Operation and Maintenance of Plant	738,045	738,045	645,300	640,621
Pupil Transportation	483,503	473,824	368,190	354,597
Central	5,540	540	7,852	2,852
Operation of Non-Instructional Services	342,682	29,054	342,287	29,507
Extracurricular Activities	304,788	188,162	289,795	174,418
Capital Outlay	347,289	(2,776,596)	4,800	4,800
Refund of Prior Year Receipts	918	918	3,034	3,034
Total Expenses	\$9,696,286	\$5,207,619	\$8,930,395	\$7,307,264

Charges for services and operating grants of about 11 percent of total cash receipts were received and used to fund the expenses of the District. The remaining 89 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The District relies on these receipts to furnish the services it provides to students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The District's Funds

Information about the District's major governmental funds begins on page 45. The District's major funds are the General Fund, the Bond Retirement Fund, the Building Fund and the Classroom Facilities Fund. All of the governmental funds had total receipts of \$39,057,178 and total disbursements of \$9,696,286. At the end of fiscal year 2008, unreserved fund balance of the General Fund was \$972,293. The greatest change within the funds occurred in the Bond Retirement Fund and the Classroom Facilities Fund which had increases of \$13,450,899 and \$11,959,834, respectively, to fund balances. These increases were the result of the proceeds of bonds and revenue anticipation notes which had not yet been spent on the construction of the new school at fiscal year end.

Major Funds Budgeting Highlights

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

During fiscal year 2008, the General Fund had original appropriations of \$8,400,409 and final appropriations of \$8,609,461. Actual expenditures plus encumbrances were \$8,525,369. Original estimated receipts were \$8,227,800 and final estimated receipts were \$8,227,799. Actual receipts for fiscal year 2008 were \$8,399,082.

Capital Assets

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

Current Financial Issues and Concerns

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding.

Contacting the District's Financial Management

This financial report is designed to provide our citizens with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Matt Huffman, Treasurer, Arcanum-Butler Local School District, 2 Weisenbarger Court, Arcanum, OH 45304.

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

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$31,007,497
Cash and Cash Equivalents with Fiscal Agent	9,339
Total Assets	31,016,836
 Net Assets:	
Restricted for:	
Debt Service	13,450,899
Capital Outlay	15,835,635
Set-Asides	275,307
Other Purposes	276,658
Bus Purchase	6,412
Unrestricted	1,171,925
Total Net Assets	\$31,016,836

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Program Cash Receipts</u>				<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants Contributions and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Current:					
Instruction:					
Regular	\$4,631,292	\$385,408	\$83,323		(\$4,162,561)
Special	798,026	21,894	101,523		(674,609)
Vocational	67,980		12,774		(55,206)
Support Services:					
Pupil	433,814		210,877		(222,937)
Instructional Staff	579,327	75,658	28,392		(475,277)
Board of Education	59,625				(59,625)
Administration	668,070				(668,070)
Fiscal	235,387				(235,387)
Operation and Maintenance of Plant	738,045				(738,045)
Pupil Transportation	483,503	3,267		\$6,412	(473,824)
Central	5,540		5,000		(540)
Operation of Non-Instructional Services	342,682		313,628		(29,054)
Extracurricular Activities	304,788	104,869	11,757		(188,162)
Capital Outlay	347,289			3,123,885	2,776,596
Refund of Prior Year Receipts	918				(918)
Totals	<u>\$9,696,286</u>	<u>\$591,096</u>	<u>\$767,274</u>	<u>\$3,130,297</u>	<u>(5,207,619)</u>
		General Receipts:			
		Property Taxes Levied for General Purposes		1,835,406	
		Property Taxes Levied for Debt Service		363,168	
		Property Taxes Levied for Capital Maintenance		24,308	
		Income Taxes		1,453,410	
		Grants and Entitlements not Restricted			
		Payment in Lieu of Taxes			
		Sale of Fixed Assets			
		to Specific Programs		4,696,442	
		Interest		96,690	
		Miscellaneous		19,093	
		General Obligation Bonds Issued		13,039,994	
		Revenue Anticipation Notes Issued		13,040,000	
		Total General Receipts		<u>34,568,511</u>	
		Change in Net Assets			29,360,892
		Net Assets Beginning of Year			<u>1,655,944</u>
		Net Assets End of Year			<u>\$31,016,836</u>

See accompanying notes to the basic financial statements.

ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	General	Bond Retirement	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$1,171,925	\$13,450,899	\$3,875,759	\$11,959,834	\$267,361	\$30,725,778
Cash and Cash Equivalents with Fiscal Agent					9,339	9,339
Restricted Asset:						
Equity in Pooled Cash and Cash Equivalents	281,719					281,719
Total Assets	<u>1,453,644</u>	<u>13,450,899</u>	<u>3,875,759</u>	<u>11,959,834</u>	<u>276,700</u>	<u>31,016,836</u>
Fund Balances:						
Reserved for Encumbrances	199,632		147,826	1,159,213	24,423	1,531,094
Reserved for Textbooks and Instructional Materials	275,307					275,307
Reserved for School Bus Purchase	6,412					6,412
Unreserved:						
Undesignated, Reported in:						
General Fund	972,293					972,293
Special Revenue Funds					252,235	252,235
Debt Service Fund		13,450,899				13,450,899
Capital Projects Funds			3,727,933	10,800,621	42	14,528,596
Total Fund Balances	<u>\$1,453,644</u>	<u>\$13,450,899</u>	<u>\$3,875,759</u>	<u>\$11,959,834</u>	<u>\$276,700</u>	<u>\$31,016,836</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:						
Property Taxes	\$1,835,406	\$363,168			\$24,308	\$2,222,882
Income Tax	1,453,410					1,453,410
Intergovernmental	4,638,252	53,353		\$2,860,930	484,855	8,037,390
Interest	92,951	3,598	\$87,585	175,370	4,152	363,656
Tuition and Fees	352,524				126,257	478,781
Customer Sales and Service					233,832	233,832
Extracurricular Activities					142,642	142,642
Contributions and Donations	2,200				18,052	20,252
Rent	11,324					11,324
Miscellaneous	3,189					3,189
Total Receipts	<u>8,389,256</u>	<u>420,119</u>	<u>87,585</u>	<u>3,036,300</u>	<u>1,034,098</u>	<u>12,967,358</u>
Disbursements:						
Current:						
Instruction:						
Regular	4,493,912				137,380	4,631,292
Special	691,534				106,492	798,026
Vocational	67,335				645	67,980
Support Services:						
Pupil	223,106				210,708	433,814
Instructional Staff	473,241				106,086	579,327
Board of Education	59,625					59,625
Administration	666,939	1,065			66	668,070
Fiscal	226,687	8,149			551	235,387
Operation and Maintenance of Plant	738,045					738,045
Pupil Transportation	483,503					483,503
Central	575				4,965	5,540
Operation of Non-instructional Activities	569				342,113	342,682
Extracurricular Activities	181,066				123,722	304,788
Capital Outlay	18,997		37,884	290,408		347,289
Total Disbursements	<u>8,325,134</u>	<u>9,214</u>	<u>37,884</u>	<u>290,408</u>	<u>1,032,728</u>	<u>9,695,368</u>
Excess of Receipts Over Disbursements	<u>64,122</u>	<u>410,905</u>	<u>49,701</u>	<u>2,745,892</u>	<u>1,370</u>	<u>3,271,990</u>
Other Financing Sources (Uses):						
Transfers In						
Transfers Out						
General Obligation Bonds Issued		13,039,994				13,039,994
Revenue Anticipation Notes Issued			3,826,058	9,213,942		13,040,000
Proceeds from Sale of Capital Assets	2,380					2,380
Refund of Prior Year Expenditures	7,446					7,446
Refund of Prior Year Receipts	(600)				(318)	(918)
Total Other Financing Sources(Uses)	<u>9,226</u>	<u>13,039,994</u>	<u>3,826,058</u>	<u>9,213,942</u>	<u>(318)</u>	<u>26,088,902</u>
Net Change in Fund Balances	73,348	13,450,899	3,875,759	11,959,834	1,052	29,360,892
Fund Balances Beginning of Year	<u>1,380,296</u>				<u>275,648</u>	<u>1,655,944</u>
Fund Balances End of Year	<u>\$1,453,644</u>	<u>\$13,450,899</u>	<u>\$3,875,759</u>	<u>\$11,959,834</u>	<u>\$276,700</u>	<u>\$31,016,836</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Property Taxes	\$1,855,000	\$1,957,579	\$1,835,406	(\$122,173)
Income Taxes	1,200,000	1,200,000	1,453,410	253,410
Intergovernmental	4,633,000	4,616,691	4,638,252	21,561
Tuition and Fees	430,000	349,257	352,524	3,267
Interest	91,000	87,560	92,951	5,391
Rent	13,800	13,800	11,324	(2,476)
Gifts and Donations			2,200	2,200
Miscellaneous	5,000	2,912	3,189	277
Total Revenues	8,227,800	8,227,799	8,389,256	161,457
Expenditures:				
Current:				
Instruction:				
Regular	4,526,735	4,493,973	4,493,430	543
Special	588,463	704,416	704,357	59
Vocational	67,564	68,625	68,483	142
Other	48,200	41,200	30,206	10,994
Support Services:				
Pupil	273,455	244,795	230,712	14,083
Instructional Staff	437,783	487,969	487,446	523
Board of Education	62,004	65,343	64,006	1,337
Administration	645,814	679,836	671,712	8,124
Fiscal	224,194	244,029	229,201	14,828
Operation and Maintenance of Plant	900,870	840,364	817,660	22,704
Pupil Transportation	421,496	524,302	524,146	156
Central	900	900	575	325
Extracurricular Activities	181,731	181,939	181,066	873
Operation of Non-Instructional Services		570	569	1
Capital Outlay	21,200	31,200	21,200	10,000
Total Expenditures	8,400,409	8,609,461	8,524,769	84,692
Excess of Revenues Under Expenditures	(172,609)	(381,662)	(135,513)	246,149
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets			2,380	2,380
Refund of Prior Year Receipts			(600)	(600)
Refund of Prior Year Expenditures			7,446	7,446
Total Other Financing Sources (Uses)			9,226	9,226
Net Change in Fund Balance	(172,609)	(381,662)	(126,287)	255,375
Fund Balance Beginning of Year	1,126,792	1,126,792	1,126,792	
Prior Year Encumbrances Appropriated	253,504	253,504	253,504	
Fund Balance End of Year	\$1,207,687	\$998,634	\$1,254,009	\$255,375

See accompanying notes to the basic financial statements.

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

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2008**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$30,635	\$15,327
Investments in Segregated Accounts	4,192	
Total Assets	34,827	15,327
Liabilities:		
Due to Students		\$15,327
Net Assets:		
Held in Trust for Scholarships	34,827	
	\$34,827	

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Private Purpose Trust
Additions:	
Gifts and Contributions	\$8,782
Interest	383
	9,165
 Deductions:	
Payments in Accordance with Trust Agreements	5,875
Change in Net Assets	3,290
Net Assets - Beginning of Year	31,537
Net Assets - End of Year	\$34,827

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District was originally established in 1885 and consolidated as the Arcanum-Butler Local School District through the consolidation of existing land areas and School Districts. The District serves an area of approximately 54 square miles. It is located in Darke County, and includes all of the Villages of Arcanum, Ithaca, Gordon, and Castine and portions of Twin, Butler, VanBuren, and Neave Townships. It is staffed by 42 non-certificated employees, 78 certified full-time teaching personnel and 6 administrative employees who provide services to 973 students and other community members. The District currently operates three instructional buildings, one administrative building and one garage.

A. Reporting Entity:

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

Component units are legally separate organizations for which the District is financially accountable, or for which the District is not financially accountable but the nature and significance of the District's relationship with the separate organization is such that it is required to be presented as a component unit. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Organizations for which the District is not financially accountable are component units of the District if (1) economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District or its constituents, (2) the District is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the organization and (3) the economic resources received or held by the organization are significant to the District. Arcanum-Butler Local School District has no component units.

The District participates in three jointly governed organizations, two insurance purchasing pools, and a related organization. These organizations are discussed in Notes 10, 11 and 12 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

Insurance Purchasing Pools:

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

Related Organization:

Arcanum Public Library

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Fund Accounting

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

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

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

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

Bond Retirement Fund - The Bond Retirement Debt Service Fund accounts for property tax revenue and State exemption reimbursements collected for the payment of general obligation bonded debt.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Funds

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

B. Basis of Presentation

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

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

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

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

2. Fund Financial Statements

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

C. Basis of Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Budgetary Process

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

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

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

E. Cash, Cash Equivalents and Investments

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

The District invested in a non-negotiable certificate of deposit, STAR Ohio, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, and mutual funds during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes.

The District values investments and cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2008 were \$92,951, including \$18,088 assigned from other District funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Restricted Assets

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

G. Inventory

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

H. Prepaid Items

On the cash-basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as disbursements when made.

I. Capital Assets

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

J. Accumulated Leave

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

K. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which are not available for appropriation or expenditure. Unreserved fund balance indicated that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, textbooks, bus purchase and instructional materials. The reserve for textbooks and instructional materials represents money required to be set-aside by state Statute for the purchase of textbooks and instructional materials, acquisition and construction of capital improvements, and the bus reserve for the purchase of a bus.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Interfund Activity

Permanent non-exchange flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds on the fund financial statements and eliminated on the district wide statements. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

3. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 accounts, including passbook accounts.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

At June 30, 2008, the District had \$800 in un-deposited cash on hand.

A. Deposits

At June 30, 2008, the book balance of the District's deposits was \$462,473 and the bank balance was \$517,079.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June, 30, 2008, \$315,079 of the government's bank balance of \$517,079 was exposed to custodial credit risk in that it was uninsured and collateralized with collateral held by the third party agent but not in the District's name.

B. Investments

As of June 30, 2008, the District had the following investments:

<u>Investment</u>	<u>Amount</u>	<u>Maturity Date</u>
STAR Ohio	\$ 2,058,671	Various
Federal Home Loan Bank Note	12,951,256	8/6/08
Federal National Mortgage Association Note	1,025,681	10/15/08
Federal Home Loan Bank Bond	1,006,979	1/7/09
Federal Home Loan Bank Bond	1,045,802	1/20/09
Federal Home Loan Mortgage Corporation Note	1,022,986	1/30/09
Federal Home Loan Bank Bond	1,037,541	2/13/09
Federal National Mortgage Association Note	1,019,180	3/16/09
Federal Home Loan Mortgage Corporation Note	1,015,492	4/6/09
Federal National Mortgage Association Note	1,050,422	4/15/09
Federal National Mortgage Association Note	1,027,346	5/4/09
Federal Home Loan Bank Bond	1,090,103	8/14/09
Federal Home Loan Mortgage Corporation Note	1,028,280	9/1/09
Federal Home Loan Bank Bond	1,063,882	3/12/10
Federal Home Loan Bank Bond	1,033,220	2/13/09
Mutual Funds	2,117,537	Various
	<u>\$30,594,378</u>	

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

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. 63% of the District's investments at June 30, 2008 were in the Federal Home Loan Bank, 13% were in the Federal National Mortgage Association Notes, 10% were in the Federal Home Loan Mortgage Corporation Notes, 7% were in STAR Ohio and 7% were in the mutual funds.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. The District's investments in the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's at June 30, 2008. The District's investment in STAR Ohio was rated Aaa by Moody's Investors Service and AAA by Standard & Poor's at June 30, 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$31,062,798	\$ 4,192
Petty cash	(800)	
Cash with Fiscal Agent	(9,339)	
Investments:		
STAR Ohio	(2,058,671)	2,058,671
Federal Home Loan Bank	(19,228,783)	19,228,783
Federal Home Loan Mortgage Corporation	(3,066,758)	3,066,758
Federal National Mortgage Association	(4,122,629)	4,122,629
Mutual Funds	(2,117,537)	2,117,537
Bliss Memorial Scholarship CD	4,192	(4,192)
GASB Statement No. 3	\$ 462,473	\$30,594,378

4. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax receipts received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. The tangible personal property tax is being phased out over a four-year period, with certain tangible property used in manufacturing immediately exempt from the tax. For 2008, it is assessed at 6.25 percent of true value and will be entirely phased out in 2009. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Darke County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2008 was \$354,580 in the General Fund, \$129,590 in the Bond Retirement Fund and \$8,673 in the Classroom Facilities Building Fund.

The assessed values upon which fiscal year 2008 taxes were collected are:

	<u>2007 Second-Half Collections</u>		<u>2008 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$96,536,670	92%	\$97,197,690	93%
Public utility personal	6,283,480	6	5,616,050	5
Tangible Personal Property	2,230,890	2	1,896,640	2
Total	<u>\$105,051,040</u>	<u>100%</u>	<u>\$104,710,380</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$26.18		\$34.15	

5. INCOME TAX

As of June 30, 2008, the District levied a voted tax of a total of one and one half percent for general operations on the income of residents and of estates. The original tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts to the General Fund during fiscal year 2008 were \$1,453,410.

6. BUDGETARY BASIS OF ACCOUNTING

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance	
Cash Basis	\$ 73,348
Adjustment for Encumbrances	<u>(199,635)</u>
Budgetary Basis	<u><u>(\$126,287)</u></u>

7. RISK MANAGEMENT

A. Property and Liability

The 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 2008, the District contracted with Selective Insurance Company of South Carolina for liability and fleet insurance. The Southwest Ohio Educational Purchasing Council is the carrier for errors and omissions insurance while the Cincinnati Insurance Company is the carrier of property insurance.

Buildings and Contents – replacement cost	\$21,996,645
Automobile Liability	1,000,000
Uninsured Motorist	1,000,000
School Board Legal Liability (\$5,000 deductible)	1,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate per member	2,000,000
Sexual abuse and molestation	
Per Occurrence	1,000,000
Aggregate per member	1,000,000
Errors and Omissions	1,000,000
Employer's Liability and Stop Gap	
Per Occurrence	1,000,000
Total per year	1,000,000
Employee Benefit Liability	
Per Occurrence	1,000,000
Aggregate per member	3,000,000
Public Employee blanket bond, money and securities, forgery	500,000
Umbrella Liability	
Aggregate Limit	5,000,000

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2008, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2008, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 11). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the MBP. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS website, www.ohsers.org under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$69,472 \$100,189, and \$94,481 respectively; 34 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll free (888) 227-7877 or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations; the same portion that was used to fund pension obligations for fiscal year 2008. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007, and 2006 were \$532,461, \$529,527 and \$501,126 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,076 made by the District and \$7,613 made by the plan members.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. POSTEMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2008, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$40,959 for fiscal year 2008.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, (the latest information available) the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,9344 eligible benefit recipients.

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was .66%. The District's contributions for the fiscal year ended June 30, 2008 were \$5,006 which equaled the required contributions for the fiscal year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2008, the health care allocation was 4.18 percent of covered payroll. The actuarially required contribution as of the December 31, 2006 annual valuation was 11.50% of covered payroll.

The actuarially required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2008, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year equaled \$45,964.

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

The financial reports of SERS' Health care and Medicare B Plans are included in its Comprehensive Annual Financial Report which may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853, or by visiting the SERS website at ohsers.org under forms and publications.

10. JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Dayton Educational Cooperative Association

The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The District paid MDECA \$41,405 for computer services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

B. Southwestern Ohio Educational Purchasing Council

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2008, the District paid \$728 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Southwestern Ohio Instructional Technology Association

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2008, the District paid \$1,535 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

11. INSURANCE PURCHASING POOLS

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

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

B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. RELATED ORGANIZATION

The Arcanum Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Arcanum-Butler Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely the Board of Trustees. The District had no financial transactions with the Arcanum Public Library during fiscal year 2008. Financial information can be obtained from the Arcanum Public Library, Roberta J. Brown, Clerk/Treasurer, at 101 North Street, Arcanum, Ohio 45304.

13. SET-ASIDE CALCULATIONS

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

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

	Textbooks and Instructional Materials	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2007	\$198,934	\$ 337,286
Current Year Set-aside Requirement	146,941	146,941
Offsets		(13,062,800)
Qualifying Disbursements	(70,568)	(109,128)
Set-aside Balances Carried Forward to Future Fiscal Years	275,307	(12,687,701)
Set-aside Reserve Balances as of June 30, 2008	\$275,307	(\$12,687,701)

14. LONG TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08
Classroom Facilities Bonds 2008 3.00 – 4.50%	\$0	\$13,039,994	\$0	\$13,039,994

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. LONG TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

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

Fiscal year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Term Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$135,000	\$128,939	\$0	\$0	\$0	\$400,150
2010	195,000	126,956	0	0	0	400,150
2011	210,000	120,881	0	0	0	400,150
2012	270,000	113,681	0	0	0	400,150
2013	290,000	105,281	0	0	0	400,150
2014-2018	965,000	393,901	147,259	582,741	0	2,000,750
2019-2023	1,690,000	212,292	57,735	317,265	0	2,000,750
2024-2028	0	0	0	0	2,735,000	1,723,544
2029-2033	0	0	0	0	3,630,000	1,036,894
2034-2038	0	0	0	0	2,715,000	187,763
Total	\$3,755,000	\$1,201,931	\$204,994	\$900,006	\$9,080,000	\$8,950,451

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

15. SHORT-TERM OBLIGATIONS

The District issued a \$13,040,000 bond anticipation note on December 20, 2007, for the purpose of financing the local share of the construction of the new school building. The note has an interest rate of 3.85% and matures on August 12, 2008.

16. CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

17. SUBSEQUENT EVENTS

On August 12, 2008, the District paid off the \$13,040,000 bond anticipation note with the proceeds from the bonds.

18. COMPLIANCE

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

19. CONTRACTUAL COMMITMENTS

As of June 30, 2008, the District had significant contractual purchase commitments as follows:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/08</u>
Fanning/Howey Associates	Design services	\$1,569,782	\$313,956	\$1,255,826
Stan and Associates	Commissioning	51,213		51,213
		<u>\$1,620,995</u>	<u>\$313,956</u>	<u>\$1,307,039</u>

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Mary Taylor, CPA

Auditor of State

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

Arcanum-Butler Local School District
Darke County
2 Weisenbarger Court
Arcanum, Ohio 45304

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arcanum-Butler Local School District, Darke County, (the District) as of and for the years ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 18, 2009, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the District's management in a separate letter dated November 18, 2009.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 18, 2009.

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 18, 2009

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

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

MATERIAL NONCOMPLIANCE CITATION

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

Ohio Adm. Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements for fiscal years 2009 and 2008 in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare their annual financial reports in accordance with generally accepted accounting principles.

Officials Response:

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

FINDING NUMBER 2009-002

MATERIAL NONCOMPLIANCE CITATION

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the treasurer is attached thereto. The treasurer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2009-002
(Continued)**

1. **“Then and Now” certificate** – If the treasurer can certify that both at the time that the contract or order was made (“then”), and at the time that the treasurer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the treasurer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket certificate** – Treasurers may prepare “blanket” certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account over a period not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The District did not properly certify the availability of funds prior to purchase commitment for 33.33% of disbursements in 2008 and 2009, and the aforementioned exceptions were not properly utilized. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations, we recommend that the District’s Treasurer certify that the funds are or will be available prior to the obligation by the District. When prior certification is not possible, “then and now” certification should be used.

We recommend the District certify purchases to which **ORC 5705.41(D)** applies. The most convenient certification method is to use purchase orders that include the certification language **ORC 5705.41(D)** requires to authorize disbursements. The treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of **ORC 5705.41(D)** are satisfied. The treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials Response:

During future audit periods, the District will be using a “Then and Now” stamp to correctly certify that funds were available at the time of purchase. Previously the District initialed the purchase orders with “T/N.” This method will be corrected in future audit periods.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 117.38 and OAC 117-2-03 (B) – failure to prepare and file GAAP basis annual financial report.	No	Repeated as finding 2009-001

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Arcanum-Butler Local School District
Darke County
2 Weisenbarger Court
Arcanum, Ohio 45304

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on February 8, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3 A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

November 18, 2009



Mary Taylor, CPA
Auditor of State

ARCANUM BUTLER LOCAL SCHOOL DISTRICT

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 19, 2010**