

Dave Yost • Auditor of State

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Arcadia Local School District
Hancock County
19033 State Route 12
Arcadia, Ohio 44804-9714

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Arcadia Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Arcadia Local School District, Hancock County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 11, 2011

Arcadia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The discussion and analysis of Arcadia Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2010 are as follows:

In total, net assets increased \$300,646, or 7 percent. Although the change in revenues and expenses was insignificant, the continued excess of revenues over expenses provided for the overall increase in net assets.

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

Using the Basic Financial Statements

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

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

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Arcadia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2010 and fiscal year 2009:

Table 1 Net Assets		Governmental Activities		
	2010	2009	Change	
<u>Assets:</u>				
Current and Other Assets	\$5,764,052	\$5,293,931	\$470,121	
Capital Assets, Net	1,738,310	1,638,411	99,899	
Total Assets	7,502,362	6,932,342	570,020	
<u>Liabilities:</u>				
Current and Other Liabilities	\$2,597,819	\$2,367,333	(\$230,486)	
Long-Term Liabilities	410,539	371,651	(38,888)	
Total Liabilities	3,008,358	2,738,984	(269,374)	
<u>Net Assets:</u>				
Invested in Capital Assets	1,738,310	1,638,411	99,899	
Restricted	495,193	333,414	161,779	
Unrestricted	2,260,501	2,221,533	38,968	
Total Net Assets	\$4,494,004	\$4,193,358	\$300,646	

There was an overall increase in total assets from the prior fiscal year of 8 percent. Within current and other assets, there was an increase in cash and cash equivalents of almost \$228,000 due to the excess of revenues over expenses in fiscal year 2010, an increase in intergovernmental receivables, primarily due to outstanding amounts due to the School District received through the American Recovery and Reinvestment Act, and an increase in property taxes receivable. The increase in net capital assets was primarily due to the acquisition of two buses as well as some equipment purchases.

The increase in current and other liabilities is largely due to the increase in deferred revenue (corresponds to the deferred portion of taxes receivable as well as grant resources to be received outside the available period).

Arcadia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 reflects the change in net assets for fiscal year 2010 and fiscal year 2009.

Table 2
Change in Net Assets

	Governmental Activities		
	2010	2009	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$878,852	\$874,975	\$3,877
Operating Grants, Contributions, and Interest	639,183	505,215	133,968
Capital Grants, Contributions, and Interest		7,921	(7,921)
Total Program Revenues	<u>1,518,035</u>	<u>1,388,111</u>	<u>129,924</u>
General Revenues			
Property Taxes Levied for General Purposes	1,972,589	2,090,158	(117,569)
Income Taxes Levied for General Purposes	651,689	627,401	24,288
Grants and Entitlements	2,251,575	2,259,709	(8,134)
Interest	7,664	42,869	(35,205)
Gifts and Donations	1,753	20,072	(18,319)
Miscellaneous	6,539	20,839	(14,300)
Total General Revenues	<u>4,891,809</u>	<u>5,061,048</u>	<u>(169,239)</u>
Total Revenues	<u>6,409,844</u>	<u>6,449,159</u>	<u>(39,315)</u>
<u>Expenses</u>			
Instruction:			
Regular	\$2,728,231	\$2,708,274	(\$19,957)
Special	579,060	501,232	(77,828)
Vocational	312,403	272,967	(39,436)
Support Services:			
Pupils	222,212	322,286	100,074
Instructional Staff	182,680	200,043	17,363
Board of Education	29,806	77,107	47,301
Administration	578,326	524,235	(54,091)
Fiscal	185,292	212,745	27,453
Operation and Maintenance of Plant	452,307	475,240	22,933
Pupil Transportation	303,245	337,600	34,355
Central	2,000	1,657	(343)
Non-Instructional Services	273,360	263,636	(9,724)
Extracurricular Activities	260,276	291,212	30,936
Total Expenses	<u>6,109,198</u>	<u>6,188,234</u>	<u>79,036</u>
Increase in Net Assets	300,646	260,925	39,721
Net Assets at Beginning of Year	<u>4,193,358</u>	<u>3,932,433</u>	<u>260,925</u>
Net Assets at End of Year	<u>\$4,494,004</u>	<u>\$4,193,358</u>	<u>\$300,646</u>

The 9 percent increase in program revenues is generally due to additional grant resources received through the American Recovery and Reinvestment Act (ARRA). This increase helped to offset the 3 percent decrease in general revenues. Overall, revenues decreased less than 1 percent.

Expenses also reflect a 1 percent decrease from the prior fiscal year, with modest reductions in many programs. The increases reflected in several programs, generally the instruction programs, represent spending the grant resources received from ARRA funds. Not surprisingly, the major expense is for instruction, which accounts for 59 percent of total expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 12 percent of total expenses. Maintenance of the School District's facilities also represents a significant expense,

Arcadia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

almost 7 percent. Therefore, approximately 78 percent of the School District's expenses are directly related to the primary functions of providing facilities and delivering education.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$2,728,231	\$2,708,274	\$2,061,613	\$2,008,637
Special	579,060	501,232	340,900	295,522
Vocational	312,403	272,967	293,325	254,035
Support Services:				
Pupils	222,212	322,286	(26,366)	206,574
Instructional Staff	182,680	200,043	182,680	200,043
Board of Education	29,806	77,107	29,806	77,107
Administration	578,326	524,235	578,326	524,235
Fiscal	185,292	212,745	185,292	212,745
Operation and Maintenance of Plant	452,307	475,240	452,307	470,125
Pupil Transportation	303,245	337,600	303,245	337,600
Central	2,000	1,657	2,000	1,657
Non-Instructional Services	273,360	263,636	6,697	15,041
Extracurricular Activities	260,276	291,212	181,338	196,802
Total Expenses	<u>\$6,109,198</u>	<u>\$6,188,234</u>	<u>\$4,591,163</u>	<u>\$4,800,123</u>

With the substantial contribution of general revenues for funding the School District's activities, only a limited number of activities are affected by program revenues. Approximately 24 percent of the costs for regular instruction are offset by program revenues, primarily from tuition and fees. A substantial portion of special instruction and pupils costs are provided for through operating grants. Approximately 98 percent of the costs of the non-instructional program were paid for through cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Extracurricular activities costs are largely supported by music and athletic fees, ticket sales, gate receipts at musical and athletic events, and donations restricted to the improvement of athletic activities and facilities.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund had an increase in fund balance from the prior fiscal year of \$133,780, or 5 percent. There was a decrease in both revenues and expenditures from the prior fiscal year; however, revenues continued to exceed expenditures, therefore the increase in fund balance.

General Fund Budgeting Highlights

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

Arcadia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

During fiscal year 2009, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget were not significant. While the changes from the final budget to actual revenues were not significant overall, there were some sizable reductions in the estimates for property taxes, income taxes, and tuition and fees. These decreases, however, were offset by the increase in intergovernmental revenues (primarily grant resources).

As with revenues, the changes from the original budget to the final budget for expenditures were not significant, but again, there were some sizable changes from the final budget to actual expenditures as savings were realized in many programs.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$1,738,310 invested in capital assets (net of accumulated depreciation). Additions for fiscal year 2010 included various equipment acquisitions and two buses. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

For fiscal year 2010, long-term obligations consisted of compensated absences, in the amount of \$410,539. Compensated absences will be paid from the General Fund and the Food Service special revenue fund. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

Current Issues

In May 2009, the voters renewed a five-year 1 percent income tax levy to raise approximately \$786,000 annually. This levy has produced significantly more revenue than was projected by the Ohio Department of Taxation. Voters also renewed a three-year emergency levy in May 2009 which raises approximately \$305,000 annually.

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

The School District accepts open enrollment of students from other school districts. During the 2009/2010 school year, one hundred one students from other school districts attended Arcadia Local School District under the open enrollment program while only thirty-two students left our School District to attend other schools. This resulted in approximately \$578,900 in open enrollment revenues and 183,400 in expenses.

Two issues were on the November 2, 2010, ballot for area voters; the first was for the formation of a merger commission to study the possibility of a merger between Arcadia Local School District and Vanlue Local School District. This would result in the presentation of a merger plan to the voters the following November. The Vanlue community approved the issue; however, the Arcadia community voted it down. As a result, the merger commission failed. Both school boards are currently continuing to discuss the options for the future. The second issue was for a new K-12 building for the Arcadia Local School District; it too was defeated.

Arcadia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Contacting the School District's Financial Management

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

Arcadia Local School District
Statement of Net Assets
June 30, 2010

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,371,183
Accounts Receivable	3,237
Accrued Interest Receivable	329
Intergovernmental Receivable	59,116
Prepaid Items	132
Inventory Held for Resale	4,524
Materials and Supplies Inventory	15,474
Income Taxes Receivable	287,367
Property Taxes Receivable	2,022,690
Nondepreciable Capital Assets	27,410
Depreciable Capital Assets, Net	1,710,900
Total Assets	7,502,362
 <u>Liabilities:</u>	
Accounts Payable	20,229
Accrued Wages and Benefits Payable	502,054
Matured Compensated Absences Payable	39,274
Intergovernmental Payable	174,120
Deferred Revenue	1,862,142
Long-Term Liabilities:	
Due Within One Year	12,491
Due in More Than One Year	398,048
Total Liabilities	3,008,358
 <u>Net Assets:</u>	
Invested in Capital Assets	1,738,310
Restricted For:	
Set Asides	68,212
Capital Projects	248,988
Other Purposes	177,993
Unrestricted	2,260,501
Total Net Assets	\$4,494,004

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services		Operating Grants, Contributions, and Interest
			Governmental Activities	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$2,728,231	\$615,596	\$51,022	(\$2,061,613)
Special	579,060	27,334	210,826	(340,900)
Vocational	312,403		19,078	(293,325)
Support Services:				
Pupils	222,212		248,578	26,366
Instructional Staff	182,680			(182,680)
Board of Education	29,806			(29,806)
Administration	578,326			(578,326)
Fiscal	185,292			(185,292)
Operation and Maintenance of Plant	452,307			(452,307)
Pupil Transportation	303,245			(303,245)
Central	2,000			(2,000)
Non-Instructional Services	273,360	163,662	103,001	(6,697)
Extracurricular Activities	260,276	72,260	6,678	(181,338)
Total Governmental Activities	<u>\$6,109,198</u>	<u>\$878,852</u>	<u>\$639,183</u>	<u>(4,591,163)</u>

General Revenues:

Property Taxes Levied for General Purposes	1,972,589
Income Taxes Levied for General Purposes	651,689
Grants and Entitlements not Restricted to Specific Programs	2,251,575
Interest	7,664
Gifts and Donations	1,753
Miscellaneous	6,539
Total General Revenues	<u>4,891,809</u>

Change in Net Assets 300,646

Net Assets at Beginning of Year 4,193,358

Net Assets at End of Year \$4,494,004

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,894,803	\$404,603	\$3,299,406
Accounts Receivable	2,681	556	3,237
Accrued Interest Receivable	329		329
Intergovernmental Receivable		59,116	59,116
Interfund Receivable	2,534		2,534
Prepaid Items	132		132
Inventory Held for Resale		4,524	4,524
Materials and Supplies Inventory	14,829	645	15,474
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	71,777		71,777
Income Taxes Receivable	287,367		287,367
Property Taxes Receivable	2,022,690		2,022,690
Total Assets	\$5,297,142	\$469,444	\$5,766,586
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$17,626	\$2,603	\$20,229
Accrued Wages and Benefits Payable	467,271	34,783	502,054
Matured Compensated Absences Payable	39,274		39,274
Intergovernmental Payable	162,451	11,669	174,120
Interfund Payable		2,534	2,534
Deferred Revenue	1,935,873	37,159	1,973,032
Total Liabilities	2,622,495	88,748	2,711,243
<u>Fund Balances:</u>			
Reserved for Property Taxes	132,477		132,477
Reserved for Textbooks	68,212		68,212
Reserved for Bus Purchase	3,565		3,565
Reserved for Encumbrances	24,843	14,724	39,567
<u>Unreserved, Reported in:</u>			
General Fund	2,445,550		2,445,550
Special Revenue Funds		116,984	116,984
Capital Projects Funds		248,988	248,988
Total Fund Balances	2,674,647	380,696	3,055,343
Total Liabilities and Fund Balances	\$5,297,142	\$469,444	\$5,766,586

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balances	\$3,055,343
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,738,310
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	2,452	
Intergovernmental Receivable	37,159	
Income Taxes Receivable	43,208	
Property Taxes Receivable	<u>28,071</u>	
		110,890

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(410,539)</u>
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Net Assets of Governmental Activities	<u><u>\$4,494,004</u></u>
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See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$1,972,525		\$1,972,525
Income Taxes	644,248		644,248
Intergovernmental	2,245,579	\$595,093	2,840,672
Interest	7,282	410	7,692
Tuition and Fees	645,010		645,010
Extracurricular Activities		72,260	72,260
Charges for Services		163,705	163,705
Gifts and Donations		14,652	14,652
Miscellaneous	1,314	4,934	6,248
Total Revenues	<u>5,515,958</u>	<u>851,054</u>	<u>6,367,012</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,690,872	47,891	2,738,763
Special	426,134	135,422	561,556
Vocational	310,198		310,198
Support Services:			
Pupils	105,705	115,388	221,093
Instructional Staff	179,523	1,174	180,697
Board of Education	29,806		29,806
Administration	554,429	214	554,643
Fiscal	184,219		184,219
Operation and Maintenance of Plant	446,919	59	446,978
Pupil Transportation	300,080	125,228	425,308
Central	2,000		2,000
Non-Instructional Services		263,397	263,397
Extracurricular Activities	148,382	99,258	247,640
Capital Outlay	3,911		3,911
Total Expenditures	<u>5,382,178</u>	<u>788,031</u>	<u>6,170,209</u>
Changes in Fund Balances	133,780	63,023	196,803
Fund Balances at Beginning of Year	<u>2,540,867</u>	<u>317,673</u>	<u>2,858,540</u>
Fund Balances at End of Year	<u>\$2,674,647</u>	<u>\$380,696</u>	<u>\$3,055,343</u>

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2010

Changes in Fund Balances - Total Governmental Funds \$196,803

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

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

Capital Outlay	192,255	
Depreciation	(92,356)	
	<u>99,899</u>	99,899

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

Property Taxes	64	
Income Taxes	7,441	
Intergovernmental	37,159	
Charges for Services	(43)	
Tuition and Fees	(2,080)	
Miscellaneous	291	
	<u>42,832</u>	42,832

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (38,888)

Change in Net Assets of Governmental Activities \$300,646

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$2,227,688	\$2,235,171	\$2,039,872	(\$195,299)
Income Taxes	950,156	950,156	618,196	(331,960)
Intergovernmental	1,563,045	1,563,045	2,245,579	682,534
Interest	30,043	30,043	7,833	(22,210)
Tuition and Fees	870,608	870,608	645,102	(225,506)
Gifts and Donations	10,000	10,000		(10,000)
Miscellaneous	4,981	4,981	467	(4,514)
Total Revenues	<u>5,656,521</u>	<u>5,664,004</u>	<u>5,557,049</u>	<u>(106,955)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,974,247	2,983,747	2,676,751	306,996
Special	427,089	427,089	439,495	(12,406)
Vocational	309,375	309,375	308,988	387
Support Services:				
Pupils	110,610	110,610	122,679	(12,069)
Instructional Staff	191,189	191,689	182,743	8,946
Board of Education	66,480	66,480	41,048	25,432
Administration	579,689	579,689	552,563	27,126
Fiscal	227,188	227,188	177,420	49,768
Operation and Maintenance of Plant	553,496	553,496	439,392	114,104
Pupil Transportation	445,055	445,055	294,831	150,224
Central	1,500	2,000	2,000	
Extracurricular Activities	153,373	153,373	156,882	(3,509)
Capital Outlay	49,237	49,237	14,113	35,124
Total Expenditures	<u>6,088,528</u>	<u>6,099,028</u>	<u>5,408,905</u>	<u>690,123</u>
Excess of Revenues Over (Under) Expenditures	<u>(432,007)</u>	<u>(435,024)</u>	<u>148,144</u>	<u>583,168</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	2,240	2,240	618	(1,622)
Refund of Prior Year Receipts	(300)	(300)		300
Advances In			1,765	1,765
Advances Out	(1,765)	(1,765)	(1,765)	
Total Other Financing Sources (Uses)	<u>175</u>	<u>175</u>	<u>618</u>	<u>443</u>
Changes in Fund Balance	(431,832)	(434,849)	148,762	583,611
Fund Balance at Beginning of Year	2,754,403	2,754,403	2,754,403	
Prior Year Encumbrances Appropriated	38,723	38,723	38,723	
Fund Balance at End of Year	<u>\$2,361,294</u>	<u>\$2,358,277</u>	<u>\$2,941,888</u>	<u>\$583,611</u>

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$58,181</u></u>
 <u>Liabilities:</u>	
Undistributed Assets	\$271
Due to Students	<u>57,910</u>
Total Liabilities	<u><u>\$58,181</u></u>

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1937. The School District serves an area of approximately sixty-one square miles. It is located in Hancock and Seneca Counties. The School District is the 582nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-four classified employees, forty-four certified teaching personnel, and five administrative employees who provide services to five hundred ninety-nine students and other community members. The School District currently operates an elementary/middle/high school.

Reporting Entity

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

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

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Hancock County Schools Health Benefit Fund, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2010. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various staff-related and student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

Note 2 - Summary of Significant Accounting Policies (continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from

grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when

Note 2 - Summary of Significant Accounting Policies (continued)

the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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

F. Cash and Investments

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

During fiscal year 2010, investments were limited to STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 was \$7,282, which includes \$353 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

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

Note 2 - Summary of Significant Accounting Policies (continued)

J. Capital Assets

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

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

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

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

K. Interfund Assets/Liabilities

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

L. Compensated Absences

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Net Assets

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

O. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, textbooks, bus purchase, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

P. Interfund Activity

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

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

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

Q. Estimates

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

Note 3 - Change in Accounting Principles

For fiscal year 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

Note 4 - Accountability

At June 30, 2010, the following funds had deficit fund balances:

Fund Type/Fund	Deficit
Special Revenue Funds	
Food Service	\$4,631
SchoolNet Prof Development	123
Miscellaneous State Grants	807
Title VI-R	146

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

Arcadia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(continued)

Note 5 - Budgetary Basis of Accounting

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

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

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

Changes in Fund Balance	
GAAP Basis	\$133,780
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2009, Received in Cash FY 2010	418,903
Accrued FY 2010, Not Yet Received in Cash	(377,194)
Expenditure Accruals:	
Accrued FY 2009, Paid in Cash FY 2010	(682,345)
Accrued FY 2010, Not Yet Paid in Cash	686,622
Prepaid Items	179
Materials and Supplies Inventory	(3,957)
Advances In	1,765
Advances Out	(1,765)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(27,226)
Budget Basis	\$148,762

Note 6 - Deposits and Investments

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

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

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

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

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

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

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

Arcadia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(continued)

Note 6 - Deposits and Investments (continued)

Investments

As of June 30, 2010, the fair value of funds on deposit with STAR Ohio was \$812,988. The School District's investment in STAR Ohio had an average maturity of 56 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 7 - Receivables

Receivables at June 30, 2010, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, interfund, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amount
Other Governmental Funds	
Title I	\$42,882
Early Childhood Special Education	3,769
Title II-A	11,956
REAP Grant	509
Total Intergovernmental Receivables	<u>\$59,116</u>

Note 8 - Income Taxes

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005, for five years expiring December 31, 2009. The School District passed a 1 percent, five year renewal levy effective January 1, 2010. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of

Arcadia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(continued)

Note 9 - Property Taxes (continued)

appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Hancock and Seneca Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$132,477 in the General Fund. The amount available as an advance at June 30, 2009, was \$199,824 in the General Fund.

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

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$56,407,610	76.93%	\$57,296,220	77.29%
Industrial/Commercial	7,791,380	10.62	7,938,910	10.71
Public Utility	9,127,980	12.45	8,902,230	12.00
Total Assessed Value	<u>\$73,326,970</u>	<u>100%</u>	<u>\$74,137,360</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$32.67		\$32.81	

Arcadia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(continued)

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$27,410			\$27,410
Depreciable Capital Assets				
Land Improvements	177,064			177,064
Buildings and Building Improvements	1,247,652			1,247,652
Furniture, Fixtures, and Equipment	686,836	\$32,025		718,861
Vehicles	586,502	160,230		746,732
Total Depreciable Capital Assets	<u>2,698,054</u>	<u>192,255</u>		<u>2,890,309</u>
Governmental Activities				
Less Accumulated Depreciation				
Land Improvements	(\$37,488)	(\$3,307)		(\$40,795)
Buildings and Building Improvements	(422,762)	(23,991)		(446,753)
Furniture, Fixtures, and Equipment	(397,627)	(30,311)		(427,938)
Vehicles	(229,176)	(34,747)		(263,923)
Total Accumulated Depreciation	<u>(1,087,053)</u>	<u>(92,356)</u>		<u>(1,179,409)</u>
Depreciable Capital Assets, Net	<u>1,611,001</u>	<u>99,899</u>		<u>1,710,900</u>
Governmental Activities				
Capital Assets, Net	<u>\$1,638,411</u>	<u>\$99,899</u>		<u>\$1,738,310</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$8,083
Special	288
Vocational	1,029
Support Services:	
Pupils	747
Instructional Staff	813
Administration	766
Fiscal	1,238
Operation and Maintenance of Plant	17,180
Pupil Transportation	34,163
Non-Instructional Services	9,280
Extracurricular Activities	18,769
Total Depreciation Expense	<u>\$92,356</u>

Note 11 - Interfund Assets/Liabilities

At June 30, 2010, the General Fund had an interfund receivable, in the amount of \$2,534, from other governmental funds to alleviate deficit cash balances. Amounts are expected be repaid within one year.

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted for the following insurance coverage:

Coverage provided by Indiana Insurance Company is as follows:

Building and Contents/Boiler and Machinery	\$16,436,146
General School District Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Automobile Liability	1,000,000
Umbrella Liability	4,000,000

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

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

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. 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 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Note 13 - Defined Benefit Pension Plans (continued)

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

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

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

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$317,728, \$330,607, and \$328,650 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for fiscal year 2010 were \$12,904 made by the School District and \$9,217 made by the plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement 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 stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 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 by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008

Note 13 - Defined Benefit Pension Plans (continued)

was \$72,239, \$60,850, and \$62,145 respectively; 1 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2010, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$25,433, \$25,646, and \$25,461 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue

Note 14 - Postemployment Benefits (continued)

Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$11,305.

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

The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$2,600, \$27,848, and \$28,359 respectively; 1 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$4,296, \$5,021, and \$4,478 respectively; 1 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 15 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

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

Arcadia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(continued)

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10	Amounts Due Within One Year
Governmental Activities					
Compensated Absences Payable	\$371,651	\$62,433	\$23,545	\$410,539	\$12,491

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

The School District's overall debt margin was \$5,889,958 with an unvoted debt margin of \$65,444 at June 30, 2010.

Note 17 - Set Asides

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

	Textbooks	Capital Improvements
Balance June 30, 2009	\$3,433	
Current Year Set Aside Requirement	94,217	\$94,217
Current Year Offsets		(15,227)
Qualifying Expenditures	(29,438)	(78,990)
Reserve Balance June 30, 2010	\$68,212	

Note 18 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2010, the School District paid \$16,065 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

Note 18 - Jointly Governed Organizations (continued)

B. Millstream Career and Technology Center

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

C. Hancock County Local Professional Development Committee

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

D. Northwestern Ohio Educational Research Council, Inc.

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

Note 19 - Insurance Pools

A. Hancock County Schools Health Benefit Fund

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

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

Note 19 - Insurance Pools (continued)

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

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

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

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

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

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Federal Receipts	Federal Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster</u>			
School Breakfast Program	10.553	\$11,930	\$11,930
National School Lunch Program:			
Cash Assistance	10.555	77,399	77,399
Non-cash Assistance (Commodities)	10.555	24,865	24,865
Total National School Lunch Program		<u>102,264</u>	<u>102,264</u>
Total U.S. Department of Agriculture		<u>114,194</u>	<u>114,194</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Assistance</i>			
Rural Education Achievement Program	84.358B	14,055	14,055
<i>Passed Through Ohio Department of Education</i>			
<u>Title I Cluster</u>			
Title I Grants to Local Educational Agencies	84.010	48,647	48,632
ARRA Title I School Improvement Stimulus	84.389	7,093	7,130
Total Title I Cluster		<u>55,740</u>	<u>55,762</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	1,523	1,523
ARRA - State Fiscal Stabilization Fund	84.394	120,115	79,967
Education Technology State Grants	84.318	55	25
Improving Teacher Quality State Grants	84.367	11,367	12,971
<u>Special Education Cluster</u>			
Special Education Grants to States	84.027	110,302	110,302
ARRA - Special Education Grants to States	84.391	125,228	125,228
Special Education Preschool Grants	84.173	2,756	2,756
Total Special Education Cluster		<u>238,286</u>	<u>238,286</u>
Total U.S. Department of Education		<u>441,141</u>	<u>402,589</u>
Total Federal Awards Receipts and Expenditures		<u>\$555,335</u>	<u>\$516,783</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this schedule.

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Arcadia Local School District
Hancock County
19033 State Route 12
Arcadia, Ohio 44804-9714

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Arcadia Local School District, Hancock County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 11, 2011.

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



Dave Yost
Auditor of State

March 11, 2011



Dave Yost • Auditor of State

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

Arcadia Local School District
Hancock County
19033 State Route 12
Arcadia, Ohio 44804-9714

Compliance

We have audited the compliance of Arcadia Local School District, Hancock County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Arcadia Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on

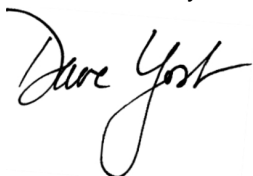
internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 11, 2011.

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



Dave Yost
Auditor of State

March 11, 2011

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 10.553 and 10.555 Nutrition Cluster CFDA # 84.027 84.391, and 84.173 Special Education Grant Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

ARCADIA LOCAL SCHOOL DISTRICT

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2011