



Dave Yost • Auditor of State

**ARLINGTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Arlington Local School District
Hancock County
336 South Main Street, P.O. Box 260
Arlington, Ohio 45814-0260

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 Arlington 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 Arlington Local School District, Hancock County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof and the budgetary comparison of 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 January 27, 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 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

January 27, 2011

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

The discussion and analysis of Arlington Local School District's 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 decreased \$307,946, just under 5 percent. Revenues were basically the same as in the prior fiscal year; however, expenses increased 3 percent.

General revenues were 79 percent of total revenues and continue to reflect the School District's significant dependence on 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 Arlington 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 non-major funds presented in total in a single column. For Arlington 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 which include instruction, support services, non-instructional services, and extracurricular activities.

Arlington 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	\$4,776,474	\$4,997,707	(\$221,233)
Capital Assets, Net	4,879,827	4,332,905	546,922
Total Assets	<u>9,656,301</u>	<u>9,330,612</u>	<u>325,689</u>
<u>Liabilities:</u>			
Current and Other Liabilities	1,957,810	1,805,344	(152,466)
Long-Term Liabilities	1,563,491	1,082,322	(481,169)
Total Liabilities	<u>3,521,301</u>	<u>2,887,666</u>	<u>(633,635)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	\$3,884,827	\$3,882,025	\$2,802
Restricted	611,906	549,951	61,955
Unrestricted	1,638,267	2,010,970	(372,703)
Total Net Assets	<u>\$6,135,000</u>	<u>\$6,442,946</u>	<u>(\$307,946)</u>

The above table reflects a somewhat significant decrease in current and other assets, most of which can be attributed to a decrease in cash and cash equivalents. With little change in revenues from the prior fiscal year and a 3 percent increase in expenses, the School District continued to employ cash carryover spending. This decrease is also reflected in the decrease in unrestricted net assets. Note the increase in net capital assets and long-term liabilities. The School District issued and spent \$570,000 on energy conservation improvements in fiscal year 2010. The overall increase in current and other liabilities is the

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

combination of a modest increase from several sources (accrued wages, intergovernmental payables, etc.).

Table 2 reflects the changes 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	\$484,997	\$501,586	(\$16,589)
Operating Grants, Contributions, and Interest	844,227	717,649	126,578
Capital Grants and Contributions	49,535	23,256	26,279
Total Program Revenues	<u>1,378,759</u>	<u>1,242,491</u>	<u>136,268</u>
General Revenues			
Property Taxes Levied for General Purposes	1,094,781	1,195,364	(100,583)
Property Taxes Levied for Debt Service	100,551	112,364	(11,813)
Income Taxes Levied for General Purposes	903,867	860,831	43,036
Grants and Entitlements	3,110,165	3,139,934	(29,769)
Interest	23,143	76,415	(53,272)
Gifts and Donations	16,942	27,194	(10,252)
Miscellaneous	66,703	49,057	17,646
Total General Revenues	<u>5,316,152</u>	<u>5,461,159</u>	<u>(145,007)</u>
Total Revenues	<u>6,694,911</u>	<u>6,703,650</u>	<u>(8,739)</u>
<u>Expenses</u>			
Instruction:			
Regular	\$3,186,548	\$3,038,204	(\$148,344)
Special	795,170	775,410	(19,760)
Vocational	273,665	273,304	(361)
Support Services:			
Pupils	281,886	270,337	(11,549)
Instructional Staff	349,526	328,982	(20,544)
Board of Education	25,208	37,148	11,940
Administration	497,972	509,390	11,418
Fiscal	185,464	235,475	50,011
Operation and Maintenance of Plant	573,947	523,157	(50,790)
Pupil Transportation	260,575	224,324	(36,251)
Central	1,428	1,672	244
Non-Instructional Services	257,358	258,245	887
Extracurricular Activities	301,454	281,216	(20,238)
Interest and Fiscal Charges	12,656	45,235	32,579
Total Expenses	<u>7,002,857</u>	<u>6,802,099</u>	<u>(200,758)</u>
Decrease in Net Assets	(307,946)	(98,449)	(209,497)
Net Assets at Beginning of Year	6,442,946	6,541,395	(98,449)
Net Assets at End of Year	<u>\$6,135,000</u>	<u>\$6,442,946</u>	<u>(\$307,946)</u>

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

Although the overall change in revenues was less than 1 percent, there was an 11 percent increase in program revenues from the prior fiscal year and generally due to additional grant resources received as a result of the American Reinvestment and Recovery Act (ARRA). The overall change in general revenues was not significant; however, there were modest decreases in most general revenue sources.

The overall increase in program expenses was 3 percent, which is not very significant but there were modest increases in the costs for most programs. Some of these increases can be attributed to costs associated with the increased ARRA grant resources.

As to be expected, the School District's greatest expenses are for instruction which accounted for 61 percent of all governmental expenses. However, other programs supporting the instruction process also account for a significant portion of the School District's expenses, such as pupils, instructional staff, and pupil transportation (13 percent). Maintenance of the School District's facilities also represents a significant expense, 8 percent. Therefore, 82 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	\$3,186,548	\$3,038,204	\$2,904,553	\$2,743,845
Special	795,170	775,410	409,978	413,119
Vocational	273,665	273,304	226,912	226,797
Support Services:				
Pupils	281,886	270,337	31,895	156,302
Instructional Staff	349,526	328,982	349,526	328,982
Board of Education	25,208	37,148	25,208	37,148
Administration	497,972	509,390	497,972	509,390
Fiscal	185,464	235,475	185,464	235,475
Operation and Maintenance of Plant	573,947	523,157	573,947	523,157
Pupil Transportation	260,575	224,324	260,393	219,063
Central	1,428	1,672	1,428	1,672
Non-Instructional Services	257,358	258,245	(22,830)	(31,640)
Extracurricular Activities	301,454	281,216	166,996	151,063
Interest and Fiscal Charges	12,656	45,235	12,656	45,235
Total Expenses	<u>\$7,002,857</u>	<u>\$6,802,099</u>	<u>\$5,624,098</u>	<u>\$5,559,608</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 48 percent of special instruction costs are provided for through operating grants for special instruction programs. All of non-instructional services costs were covered by program revenues for fiscal year 2010. These program revenues consist of cafeteria sales, state and federal subsidies, and donated commodities for food service operations. A good portion, 45 percent, of extracurricular activities costs are covered by program

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

revenues. These consist of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's major fund, the General Fund, had a fund balance decrease of almost 16 percent primarily due to cash carryover spending.

General Fund Budgeting Highlights

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

During fiscal year 2010, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget and from the final budget to actual revenues were not significant. For expenditures, the final budget increased 6 percent from the original budget in anticipation of expenditures; however, the final expenditures were actually less than the original budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$4,879,827 invested in capital assets (net of accumulated depreciation), an increase of \$546,922. The most significant addition was the result of the energy conservation project in fiscal year 2010. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2010, the School District had outstanding energy conservation bonds and general obligation bonds, in the amount of \$570,000 and \$425,000, respectively. The bonds were issued for an energy conservation project and for constructing a building addition. The bonds were issued for a fifteen year period, with final maturity in fiscal years 2025 and 2015, respectively. The School District's long-term obligations also included compensated absences. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

Current Issues

The Arlington Local School District is a rural, agricultural community with very little industry; it is also the focal point of the community providing weekend sporting events and musical productions. A high percentage of people live and work here long-term and the community supports the School District throughout its many endeavors. A high percentage of the students participate in athletics, musicals, and other programs.

The School District is in the last year of a three-year negotiated agreement. Base salary increases of 2.9 percent were given for all three years.

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

The School District pursued a new building project through the Ohio School Facilities Commission, which was defeated by the voters in November 2010. The Board of Education will continue to discuss a future vision for the School District.

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 Angie Spridgeon, Treasurer, Arlington Local School District, 336 South Main Street, Arlington, Ohio 45814.

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

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,004,816
Accounts Receivable	6,708
Accrued Interest Receivable	443
Intergovernmental Receivable	56,386
Prepaid Items	20,964
Inventory Held for Resale	17,565
Materials and Supplies Inventory	12,926
Income Taxes Receivable	367,052
Property Taxes Receivable	1,289,614
Nondepreciable Capital Assets	309,090
Depreciable Capital Assets, Net	4,570,737
Total Assets	9,656,301
 <u>Liabilities:</u>	
Accounts Payable	12,563
Accrued Wages and Benefits Payable	539,788
Intergovernmental Payable	195,107
Matured Compensated Absences Payable	17,278
Deferred Revenue	1,190,458
Accrued Interest Payable	2,616
Long-Term Liabilities:	
Due Within One Year	130,704
Due in More Than One Year	1,432,787
Total Liabilities	3,521,301
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	3,884,827
Restricted For:	
Set Asides	308,076
Debt Service	68,516
Food Service	75,529
Athletics	73,271
Other Purposes	86,514
Unrestricted	1,638,267
Total Net Assets	\$6,135,000

See Accompanying Notes to the Basic Financial Statements

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

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$3,186,548	\$208,110	\$73,885	
Special	795,170	9,949	375,243	
Vocational	273,665	270	46,483	
Support Services:				
Pupils	281,886		249,991	
Instructional Staff	349,526			
Board of Education	25,208			
Administration	497,972			
Fiscal	185,464			
Operation and Maintenance of Plant	573,947			
Pupil Transportation	260,575			\$182
Central	1,428			
Non-Instructional Services	257,358	187,183	93,005	
Extracurricular Activities	301,454	79,485	5,620	49,353
Interest and Fiscal Charges	12,656			
Total Governmental Activities	<u>\$7,002,857</u>	<u>\$484,997</u>	<u>\$844,227</u>	<u>\$49,535</u>

General Revenues:

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

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Governmental
Activities

(\$2,904,553)
(409,978)
(226,912)

(31,895)
(349,526)
(25,208)
(497,972)
(185,464)
(573,947)
(260,393)
(1,428)

22,830
(166,996)
(12,656)

(5,624,098)

1,094,781
100,551
903,867
3,110,165
23,143
16,942
66,703

5,316,152

(307,946)

6,442,946

\$6,135,000

Arlington 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	\$2,359,371	\$337,369	\$2,696,740
Accounts Receivable	6,388	320	6,708
Accrued Interest Receivable	443		443
Intergovernmental Receivable		56,386	56,386
Prepaid Items	20,964		20,964
Inventory Held for Resale		17,565	17,565
Materials and Supplies Inventory	12,222	704	12,926
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	308,076		308,076
Income Taxes Receivable	367,052		367,052
Property Taxes Receivable	1,181,837	107,777	1,289,614
Total Assets	\$4,256,353	\$520,121	\$4,776,474
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$10,047	\$2,516	\$12,563
Accrued Wages and Benefits Payable	501,342	38,446	539,788
Intergovernmental Payable	178,330	16,777	195,107
Matured Compensated Absences Payable		17,278	17,278
Deferred Revenue	1,185,525	143,788	1,329,313
Total Liabilities	1,875,244	218,805	2,094,049
<u>Fund Balances:</u>			
Reserved for Property Taxes	67,000	6,000	73,000
Reserved for Textbooks	10,739		10,739
Reserved for Capital Improvements	297,337		297,337
Reserved for Encumbrances	39,752	12,291	52,043
Unreserved, Designated for Termination Benefits		39,305	39,305
Unreserved, Reported in:			
General Fund	1,966,281		1,966,281
Special Revenue Funds		180,705	180,705
Debt Service Fund		63,015	63,015
Total Fund Balances	2,381,109	301,316	2,682,425
Total Liabilities and Fund Balances	\$4,256,353	\$520,121	\$4,776,474

See Accompanying Notes to the Basic Financial Statements

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

Total Governmental Fund Balances		\$2,682,425
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
		4,879,827
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Accounts Receivable	5,700	
Intergovernmental Receivable	42,011	
Income Taxes Receivable	64,988	
Property Taxes Receivable	26,156	
		138,855
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Accrued Interest Payable	(2,616)	
Energy Conservation Bonds Payable	(570,000)	
General Obligation Bonds Payable	(425,000)	
Compensated Absences Payable	(568,491)	
		(1,566,107)
Net Assets of Governmental Activities		\$6,135,000

See Accompanying Notes to the Basic Financial Statements

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

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>			
Property Taxes	\$1,110,631	\$102,108	\$1,212,739
Income Taxes	897,920		897,920
Intergovernmental	3,240,976	665,698	3,906,674
Interest	22,272	1,436	23,708
Tuition and Fees	217,018		217,018
Extracurricular Activities	1,076	78,409	79,485
Charges for Services		187,183	187,183
Gifts and Donations	14,252	9,613	23,865
Miscellaneous	43,660	22,563	66,223
Total Revenues	<u>5,547,805</u>	<u>1,067,010</u>	<u>6,614,815</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,966,353	188,335	3,154,688
Special	694,547	91,474	786,021
Vocational	275,643		275,643
Support Services:			
Pupils	160,291	119,698	279,989
Instructional Staff	335,284	11,735	347,019
Board of Education	25,208		25,208
Administration	493,540		493,540
Fiscal	182,882	2,254	185,136
Operation and Maintenance of Plant	987,982	99,642	1,087,624
Pupil Transportation	178,991	106,308	285,299
Central	1,428		1,428
Non-Instructional Services		268,585	268,585
Extracurricular Activities	168,389	120,232	288,621
Debt Service:			
Principal Retirement		25,880	25,880
Interest on Capital Appreciation Bonds		74,120	74,120
Interest and Fiscal Charges	12,810	23,068	35,878
Total Expenditures	<u>6,483,348</u>	<u>1,131,331</u>	<u>7,614,679</u>
Excess of Revenues			
Under Expenditures	<u>(935,543)</u>	<u>(64,321)</u>	<u>(999,864)</u>
<u>Other Financing Sources (Uses):</u>			
Energy Conservation Bonds Issued	570,000		570,000
Transfers In		95,889	95,889
Transfers Out	(95,889)		(95,889)
Total Other Financing Sources (Uses)	<u>474,111</u>	<u>95,889</u>	<u>570,000</u>
Changes in Fund Balances	(461,432)	31,568	(429,864)
Fund Balances at Beginning of Year	<u>2,842,541</u>	<u>269,748</u>	<u>3,112,289</u>
Fund Balances at End of Year	<u>\$2,381,109</u>	<u>\$301,316</u>	<u>\$2,682,425</u>

See Accompanying Notes to the Basic Financial Statements

Arlington 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 (\$429,864)

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	682,868	
Capital Contributions	49,353	
Depreciation	<u>(171,097)</u>	561,124

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	480	
Loss on Disposal of Capital Assets	<u>(14,682)</u>	(14,202)

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

Property Taxes	(17,407)	
Income Taxes	5,947	
Intergovernmental	40,412	
Tuition and Fees	<u>1,311</u>	30,263

Repayment of principal is an expenditure in governmental funds but the repayment reduces long-term liabilities on the statement of net assets.

Payment on Principal of Capital Appreciation Bonds	25,880	
Payment on Accretion of Capital Appreciation Bonds	<u>74,120</u>	100,000

Bond proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets. (570,000)

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net assets.

Accrued Interest Payable	25,902	
Annual Accretion	<u>(2,680)</u>	23,222

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. (8,489)

Change in Net Assets of Governmental Activities (\$307,946)

See Accompanying Notes to the Basic Financial Statements

Arlington 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	\$1,136,100	\$1,154,018	\$1,165,631	\$11,613
Income Taxes	893,663	893,663	872,699	(20,964)
Intergovernmental	3,466,209	3,405,320	3,242,176	(163,144)
Interest	79,000	29,000	23,028	(5,972)
Tuition and Fees	142,704	142,704	216,686	73,982
Extracurricular Activities	3,000	3,000	1,076	(1,924)
Gifts and Donations	14,250	14,250	14,252	2
Miscellaneous	4,000	4,000	43,240	39,240
Total Revenues	<u>5,738,926</u>	<u>5,645,955</u>	<u>5,578,788</u>	<u>(67,167)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,091,865	3,129,948	2,933,807	196,141
Special	752,655	763,106	714,508	48,598
Vocational	283,072	265,121	278,869	(13,748)
Support Services:				
Pupils	164,679	164,273	160,226	4,047
Instructional Staff	388,847	366,577	324,665	41,912
Board of Education	46,636	46,936	28,483	18,453
Administration	520,442	513,897	486,966	26,931
Fiscal	195,917	198,255	187,224	11,031
Operation and Maintenance of Plant	677,586	1,107,238	993,784	113,454
Pupil Transportation	226,643	201,241	174,151	27,090
Central	2,535	2,535	1,428	1,107
Extracurricular Activities	177,392	176,914	168,327	8,587
Capital Outlay	5,000	5,000		5,000
Interest and Fiscal Charges			12,810	(12,810)
Total Expenditures	<u>6,533,269</u>	<u>6,941,041</u>	<u>6,465,248</u>	<u>475,793</u>
Excess of Revenues				
Under Expenditures	<u>(794,343)</u>	<u>(1,295,086)</u>	<u>(886,460)</u>	<u>408,626</u>
<u>Other Financing Sources (Uses):</u>				
Energy Conservation Bonds Issued		570,000	570,000	
Refund of Prior Year Expenditures	7,500	7,500	154	(7,346)
Transfers Out		(95,889)	(95,889)	
Total Other Financing Sources (Uses)	<u>7,500</u>	<u>481,611</u>	<u>474,265</u>	<u>(7,346)</u>
Changes in Fund Balance	(786,843)	(813,475)	(412,195)	401,280
Fund Balance at Beginning of Year	2,938,505	2,938,505	2,938,505	
Prior Year Encumbrances Appropriated	97,181	97,181	97,181	
Fund Balance at End of Year	<u>\$2,248,843</u>	<u>\$2,222,211</u>	<u>\$2,623,491</u>	<u>\$401,280</u>

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2010

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$21,352</u></u>
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Liabilities:

Due to Students	<u><u>\$21,352</u></u>
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See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School District and Reporting Entity

Arlington 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 1923. The School District serves an area of approximately seventy-six square miles. It is located in Hancock County, and includes all of the Village of Arlington and portions of Eagle, Jackson, Madison, and Van Buren Townships. The School District is the 573rd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-one classified employees, forty-seven certified teaching personnel, and four administrative employees who provide services to six hundred fifty-nine students and other community members. The School District currently operates one facility which includes the elementary, middle, and high schools.

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 Arlington 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 Arlington Local School District.

The School District participates in four jointly governed organizations and three 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., Schools of Ohio Risk Sharing Authority, Hancock County Schools Health Benefit Fund, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 18 and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into 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 fund is the General Fund.

Note 2 - Summary of Significant Accounting Policies (continued)

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

The other governmental funds of the School District account for grants and other resources whose use is restricted 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 fund accounts for various 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; fiduciary 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 tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the 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 selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

Note 2 - Summary of Significant Accounting Policies (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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 consisted of nonnegotiable certificates of deposit, which are recorded at cost.

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 \$22,272, which includes \$1,265 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 and donated and purchased food.

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 instructional materials and for the acquisition or construction of capital improvements.

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	10 - 100 years
Buildings and Building Improvements	10 - 100 years
Furniture, Fixtures, and Equipment	5 - 75 years
Vehicles	12 - 20 years
Infrastructure	50 years

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes consists of 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

N. 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, capital improvements, 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.

O. Capital Contributions

Capital contributions arise from outside contributions of capital assets.

P. Interfund Transactions

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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 Title VI-B and Title II-A special revenue funds had deficit fund balances, in the amount of \$153, and \$307, respectively, resulting 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.

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	(\$461,432)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2009, Received in Cash FY 2010	401,332
Accrued FY 2010, Not Yet Received in Cash	(370,195)
Expenditure Accruals:	
Accrued FY 2009, Paid in Cash FY 2010	(633,045)
Accrued FY 2010, Not Yet Paid in Cash	689,719
Prepaid Items	6,086
Materials and Supplies Inventory	(704)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(43,956)
Budget Basis	(\$412,195)

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.

Note 6 - Deposits and Investments (continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings 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. Commercial paper and bankers' acceptances if training requirement have been met

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end \$337 of the School District's bank balance of \$3,099,206 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 6 - Deposits and Investments (continued)

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

Note 7 - Receivables

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

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Other Governmental Funds	
Title VI-B	\$29,219
Title I	23,455
Early Childhood Special Ed	1,966
Title II-A	1,721
REAP	25
Total Intergovernmental Receivables	<u>\$56,386</u>

Note 8 - Income Taxes

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1996, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax 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.

Note 9 - Property Taxes (continued)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 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 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 2008 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 County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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 were levied to finance current fiscal year operations and are 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 \$67,000 in the General Fund and \$6,000 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2009, was \$122,000 in the General Fund and \$11,000 in the Bond Retirement debt service 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 9 - Property Taxes (continued)

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	\$58,191,640	91.46%	\$59,954,570	91.73%
Industrial/Commercial	3,560,290	5.60	3,607,090	5.52
Public Utility	1,870,290	2.94	1,799,760	2.75
Total Assessed Value	<u>\$63,622,220</u>	<u>100.00%</u>	<u>\$65,361,420</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.30		\$33.26	

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	\$309,090			\$309,090
Depreciable Capital Assets				
Land Improvements	156,364			156,364
Buildings and Building Improvements	4,309,323	\$555,000		4,864,323
Furniture, Fixtures, and Equipment	866,680	99,106	(\$87,967)	877,819
Vehicles	516,021	78,115	(3,600)	590,536
Infrastructure	11,856			11,856
Total Depreciable Capital Assets	<u>5,860,244</u>	<u>732,221</u>	<u>(91,567)</u>	<u>6,500,898</u>
Less Accumulated Depreciation				
Land Improvements	(65,118)	(4,448)		(69,566)
Buildings and Building Improvements	(1,089,920)	(70,069)		(1,159,989)
Furniture, Fixtures, and Equipment	(508,908)	(47,666)	\$75,085	(481,489)
Vehicles	(170,567)	(48,677)	2,280	(216,964)
Infrastructure	(1,916)	(237)		(2,153)
Total Accumulated Depreciation	<u>(1,836,429)</u>	<u>(171,097)</u>	<u>77,365</u>	<u>(1,930,161)</u>
Depreciable Capital Assets, Net	<u>4,023,815</u>	<u>561,124</u>	<u>(14,202)</u>	<u>4,570,737</u>
Governmental Activities Capital Assets, Net	<u>\$4,332,905</u>	<u>\$561,124</u>	<u>(\$14,202)</u>	<u>\$4,879,827</u>

The School District accepted a contribution of depreciable capital assets for governmental activities with a fair value of \$49,353 during fiscal year 2010.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 10 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$42,900
Special	3,636
Vocational	2,496
Support Services:	
Pupils	202
Instructional Staff	1,473
Administration	920
Fiscal	533
Operation and Maintenance of Plant	39,186
Pupil Transportation	49,249
Non-Instructional Services	5,989
Extracurricular Activities	24,513
Total Depreciation Expense	\$171,097

Note 11 - 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 Cincinnati Insurance Company is as follows:

Building and Contents	\$9,582,712
General School District Liability	1,000,000
Umbrella Liability	6,000,000

Coverage provided by Auto Owners Mutual Insurance is as follows:

Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

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.

For fiscal year 2010, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

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.

Note 11 - Risk Management (continued)

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

Note 12 - 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.

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.

Note 12 - Defined Benefit Pension Plans (continued)

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$363,788, \$350,194, and \$341,628 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 \$103 made by the school district and \$4,083 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 was \$97,586, \$74,029, and \$71,743 respectively; 13 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, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - 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.

Note 13 - Postemployment Benefits (continued)

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 \$27,992, \$26,947, and \$26,351 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which 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 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 \$16,368.

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 \$3,512, \$33,879, and \$32,739 respectively; 13 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 \$5,803, \$6,108, and \$5,169 respectively; 13 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 14 - 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 five to twenty-five days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred five days for all school personnel. Upon retirement, payment is made for 27 percent of their accrued but unused sick leave credit to a maximum of fifty-five days.

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 Company. Depending upon the plan chosen, the employees share the cost of monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

Note 15 - Long-Term Obligations

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

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
FY10 Energy Conservation Bonds 1.46%		\$570,000		\$570,000	\$25,000
FY00 Refunding School Improvement Bonds					
Term Bonds 5.1%	\$425,000			425,000	90,000
Capital Appreciation Bonds 5.05- 5.1%	25,880		\$25,880		
Accretion of Capital Appreciation Bonds	<u>71,440</u>	<u>2,680</u>	<u>74,120</u>		
Total General Obligation Bonds	522,320	572,680	100,000	995,000	115,000
Compensated Absences Payable	<u>560,002</u>	<u>27,096</u>	<u>18,607</u>	<u>568,491</u>	<u>15,704</u>
Total Governmental Activities Long -Term Obligations	<u>\$1,082,322</u>	<u>\$599,776</u>	<u>\$118,607</u>	<u>\$1,563,491</u>	<u>\$130,704</u>

FY 2010 Energy Conservation Bonds - On March 30, 2010, the School District issued bonds, in the amount of \$570,000 to pay costs of energy conservation improvements to buildings. The bonds were issued for a fifteen year period, with final maturity during fiscal year 2025.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 15 - Long-Term Obligations (continued)

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2010	\$25,000
2011	35,000
2012	35,000
2013	35,000
2014	35,000
2015	40,000
2016	40,000
2017	40,000
2018	40,000
2019	40,000
2020	40,000
2021	40,000
2022	40,000
2023	40,000

The remaining principal, in the amount of \$45,000, will be paid at stated maturity on December 1, 2024.

FY 2000 Refunding School Improvement Bonds - On November 1, 1999, the School District issued bonds, in the amount of \$1,144,210, to refund bonds previously issued in fiscal year 1992, in the amount of \$1,990,000, for constructing a building addition to house the elementary school library, elementary classrooms, and a new gymnasium. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$625,000, \$425,000, and \$94,210, respectively. The bonds were issued for a fifteen year period, with final maturity during fiscal year 2015. The serial bonds are fully retired.

The term bonds maturing on December 1, 2012, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2010 and 2011 (with the balance of \$85,000 to be paid at stated maturity on December 1, 2012), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2010	\$90,000
2011	85,000

The term bonds maturing on December 1, 2014, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2013 (with the balance of \$80,000 to be paid at stated maturity on December 1, 2014), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2013	\$85,000

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 15 - Long-Term Obligations (continued)

Term bonds redeemed by other than mandatory redemption, or purchased for cancellation may be credited against the applicable mandatory redemption requirement.

The capital appreciation bonds were not subject to prior redemption. The capital appreciation bonds matured in fiscal years 2007 through 2010. The maturity amount of the bonds was \$315,000. For fiscal year 2010, \$2,680 was accreted and \$100,000 was paid on the capital appreciation bonds, which are now fully redeemed.

The refunded bonds have been fully retired.

Compensated absences will be paid from the Termination Benefits special revenue fund.

The School District's overall debt margin was \$5,373,636 with an unvoted debt margin of \$63,662 at June 30, 2010.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Term	Interest	Total
2011	\$115,000	\$28,800	\$143,800
2012	120,000	23,680	143,680
2013	120,000	18,621	138,621
2014	120,000	13,478	133,478
2015	115,000	8,389	123,389
2016-2020	200,000	22,266	222,266
2021-2025	205,000	7,627	212,627
	\$995,000	\$122,861	\$1,117,861

Note 16 - 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	(\$21,298)	\$284,412
Current Year Set Aside Requirement	101,147	101,147
Qualifying Expenditures	(69,110)	(88,222)
Balance June 30, 2010	\$10,739	\$297,337

Note 17 - Interfund Transfers

During fiscal year 2010, the General Fund made transfers to other governmental funds, in the amount of \$95,889, to set aside resources for future severance payments.

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 \$17,047 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Career and Technology Center

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

C. Hancock County Local Professional Development Committee

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

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishing agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

B. 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.

C. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan 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.

**ARLINGTON 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	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster</u>			
Special Milk Program for Children	10.556	\$934	\$934
National School Lunch Program	10.555		
Cash Assistance		56,286	56,286
Non-Cash Assistance (Commodities)		34,211	34,211
Total National School Lunch Program		<u>90,497</u>	<u>90,497</u>
Total U.S. Department of Agriculture		<u>91,431</u>	<u>91,431</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Assistance			
Rural Education	84.358	39,140	39,140
<i>Passed Through Ohio Department of Education</i>			
Safe and Drug-Free Schools and Communities - State Grants	84.186	1,479	1,479
Education Technology State Grants	84.318	423	423
Improving Teacher Quality State Grants	84.367	19,090	19,701
ARRA - State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act	84.394	198,684	186,955
<u>Title I, Part A Cluster</u>			
Title I Grants to Local Educational Agencies	84.010	45,763	48,258
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	12,851	11,424
Total Title I, Part A Cluster		<u>58,614</u>	<u>59,682</u>
<u>Special Education Cluster</u>			
Special Education-Grants to States	84.027	113,963	113,963
Special Education-Preschool Grants	84.173	2,290	2,290
ARRA - Special Education-Grants to States, Recovery Act	84.391	100,330	98,223
ARRA - Special Education-Preschool Grants, Recovery Act	84.392	1,966	1,966
Total Special Education Cluster		<u>218,549</u>	<u>216,442</u>
Total U.S. Department of Education		<u>535,979</u>	<u>523,822</u>
Total Federal Awards Receipts and Expenditures		<u>\$627,410</u>	<u>\$615,253</u>

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

**ARLINGTON 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) reports the Arlington Local School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

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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*

Arlington Local School District
Hancock County
336 South Main Street, P.O. Box 260
Arlington, Ohio 45814-0260

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 Arlington 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 and have issued our report thereon dated January 27, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 27, 2011.

We intend this report solely for the information and use of management, the Audit and Finance Committees, the 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 27, 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

Arlington Local School District
Hancock County
336 South Main Street, P.O. Box 260
Arlington, Ohio 45814-0260

To the Board of Education:

Compliance

We have audited the compliance of Arlington Local School District, Hancock County, Ohio (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, the Arlington 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 intend this report solely for the information and use of the Audit and Finance Committees, management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

January 27, 2011

**ARLINGTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	ARRA State Fiscal Stabilization Fund – Education State Grants CFDA #84.394 Special Education Cluster: Special Education – Grants to States CFDA #84.027 Special Education – Preschool Grants CFDA #84.173 ARRA - Special Education – Grants to States CFDA #84.391 ARRA Special Education – Preschool Grants CFDA #84.392
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2010-001

Finding for Recovery Repaid Under Audit

The Athletic Director issued 2 senior reserve seat boys basketball tickets at a price of \$38 each, collected the \$76 for the cost of these 2 tickets, but did not deposit the money with the Treasurer's office. The Athletic Director also issued 2 regular reserve seat boys basketball tickets at a price of \$56 each, but did not collect the \$112 for the cost of these 2 tickets.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money that has been collected has not been accounted for and for public money that is due has not been collected is hereby issued against Richard Leonard, Athletic Director, in the amount of \$188, and in favor of the Arlington Local School District's Athletic Fund.

On November 3, 2010, the \$188 was paid into District's Athletic Fund.

Officials' Response:

We did not receive a response from Officials to this finding.

3. FINDINGS FOR FEDERAL AWARDS

None



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ARLINGTON 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
FEBRUARY 17, 2011