



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arcanum-Butler Local School District, Darke County, (the School 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 School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Arcanum-Butler Local School District, Darke County, as of June 30, 2010, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 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 School District's basic financial statements. The Schedule of Federal Awards Receipts and Disbursements 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 Schedule of Federal Awards Receipts and Disbursements 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 statement 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 19, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

This discussion and analysis of the Arcanum-Butler Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for fiscal year 2010 are as follows:

- Net assets decreased \$8,115,489.
- General receipts accounted for \$8,850,194 in receipts or approximately 50% of all receipts. Program specific cash receipts in the form of charges for services, grants, contributions, and interest accounted for \$8,796,774, or approximately 50% of total receipts.
- The School District had \$25,762,457 in disbursements related to governmental activities; only \$8,796,774 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General receipts of \$8,850,194 were used to help fund some of these disbursements.
- The General Fund had an increase in fund balance of \$375,087 during fiscal year 2010. The Building Fund had a decrease in fund balance of \$1,499,609 and the Classroom Facilities Fund had a decrease in fund balance of \$7,247,029 during fiscal year 2010.

Using the Basic Financial Statements

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

Report Components

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Basis of Accounting

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

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

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for the District's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the program.

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

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

Reporting the District's Most Significant Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Governmental Funds

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

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

The District as a Whole

Table 1 provides a summary of the District's net assets for 2010 compared to 2009 on a modified cash basis:

Table 1		
Net Assets		
	2010	2009
Assets		
Total Assets	\$15,549,473	\$23,664,962
Net Assets:		
Restricted for:		
Debt Service	314,036	212,657
Capital Outlay	12,352,461	21,099,099
Set-Asides	342,422	309,888
Other Purposes	472,587	317,904
Unrestricted	2,067,967	1,725,414
Total Net Assets	\$15,549,473	\$23,664,962

Total net assets decreased \$8,115,489 during fiscal year 2010. Net assets restricted for capital outlay decreased due to payment of construction expenses from the classroom facilities monies. Unrestricted net assets increased despite lower receipts due to close monitoring of expenditures, which remained stable.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Table 2 reflects the changes in net assets in fiscal year 2010, and a comparative balance to fiscal year 2009.

	2010	2009
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,121,914	\$ 993,775
Operating Grants, Contributions and Interest	1,008,434	465,761
Capital Grants and Contributions	6,666,426	6,601,916
Total Program Revenues	8,796,774	8,061,452
General Revenues:		
Property Taxes	2,720,107	2,626,371
Income Tax	1,604,002	1,712,898
Grants and Entitlements	4,593,202	4,853,715
Investment Earnings	(76,659)	52,385
Miscellaneous	9,542	29,131
Total General Revenues	8,850,194	9,274,500
Total Revenues	17,646,968	17,335,952
Program Expenses:		
Instruction:		
Regular	4,814,814	4,629,182
Special	935,246	841,257
Vocational	77,129	72,143
Other	37,014	19,693
Support Services:		
Pupils	519,369	402,293
Instructional Staff	516,810	554,576
Board of Education	81,726	80,967
Administration	697,771	712,100
Fiscal	251,529	229,592
Operation and Maintenance of Plant	667,643	680,639
Pupil Transportation	458,091	464,783
Central	6,756	5,729
Operation of Non-Instructional Services	336,251	342,304
Extracurricular Activities	327,311	322,670
Capital Outlay	15,310,757	1,302,272
Principal Retirement	195,000	13,175,000
Interest and Fiscal Charges	527,106	852,626
Refund of Prior Year Receipts	2,134	
Total Expenses	25,762,457	24,687,826
Increase (Decrease) in Net Assets	(8,115,489)	(7,351,874)
Net Assets – Beginning of Year	23,664,962	31,016,836
Net Assets – End of Year	\$15,549,473	\$23,664,962

Governmental Activities

The largest source of receipts for governmental activities for fiscal year 2010 were capital grants and contributions, mostly from the Ohio School Facilities monies for the State's share of the construction costs of the new school. These accounted for 38% of all receipts. Unrestricted grants and entitlements were the next largest source of receipts in fiscal year 2010, accounting for 26% of receipts. Property and income taxes accounted for about 25% of all receipts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Capital outlay expenditures, which was mostly construction costs for the new school, accounted for 59 percent of total cash disbursements for fiscal year 2010. Instruction accounted for approximately 23 percent of total cash disbursements for fiscal year 2010, with Regular Instruction making up the largest share at about 19 percent of total disbursements. Pupil and Instructional Staff support services accounted for about 4 percent of total disbursements. Board of Education, Administration, and Fiscal disbursements accounted for another 4 percent of disbursements. Operation and maintenance of plant disbursements were about 3 percent of total disbursements and Transportation accounted for about 2 percent of total disbursements.

Statement of Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major activities of the District. The last column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, restricted State entitlements and investment earnings. A comparative analysis to fiscal year 2009 is also presented.

Table 3

	Total Cost Of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Instruction:				
Regular	\$ 4,814,814	\$ 4,107,438	\$ 4,629,182	\$ 4,027,118
Special	935,246	640,961	841,257	724,996
Vocational	77,129	48,256	72,143	57,693
Other	37,014	37,014	19,693	19,693
Support Services:				
Pupils	519,369	237,577	402,293	396,309
Instructional Staff	516,810	444,626	554,576	463,180
Board of Education	81,726	81,726	80,967	80,967
Administration	697,771	697,771	712,100	712,100
Fiscal	251,529	251,529	229,592	229,592
Operation and Maintenance of Plant	667,643	470,235	680,639	680,639
Pupil Transportation	458,091	381,321	464,783	270,858
Central	6,756	1,756	5,729	729
Operation of Non-Instructional Services	336,251	(3,933)	342,304	21,337
Extracurricular Activities	327,311	190,835	322,670	160,364
Capital Outlay	15,310,757	8,654,331	1,302,272	(5,246,827)
Principal Retirement	195,000	195,000	13,175,000	13,175,000
Interest and Fiscal Charges	527,106	527,106	852,626	852,626
Refund or Prior Year Receipts	2,134	2,134		
Total Expenses	\$25,762,457	\$16,965,683	\$24,687,826	\$16,626,374

Charges for services and operating and capital grants of about 50 percent of total cash receipts were received and used to fund the expenses of the District. The remaining 50 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The District relies on these receipts to furnish the services it provides to students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

The District's Funds

Information about the District's major governmental fund begins on page 11. The District's major funds are the General Fund, the Building Fund and the Classroom Facilities Fund. All of the governmental funds had total receipts of \$17,646,968 and total disbursements of \$25,762,457. At the end of fiscal year 2010, unreserved fund balance of the General Fund was \$1,915,341. The greatest change within the funds occurred in the Classroom Facilities Fund, which had a decrease in fund balance of \$7,247,029, due to the payment of construction costs for the new school. The Building Fund had a decrease in fund balance of \$1,499,609, also due to the payment of construction costs.

Major Funds Budgeting Highlights

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

During fiscal year 2010, the General Fund had original appropriations of \$8,949,975 and final appropriations of \$8,487,212. Actual expenditures plus encumbrances were \$8,487,233. Original estimated receipts were \$8,713,500 and final estimated receipts were \$8,709,693. Actual receipts for fiscal year 2010 were \$8,709,694.

Capital Assets

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

Debt

At June 30, 2009, the School District had \$12,904,994 outstanding in general obligation bonds. These bonds are being paid through the Bond Retirement Fund with property tax revenue. During fiscal year 2010, the School District paid \$195,000 in principal on the bonds, so the balance of the bonds at June 30, 2010 was \$12,709,994. For more information on the School District's debt, see Note 14 of the notes to the basic financial statements.

Current Financial Issues and Concerns

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

The School District renewed a 0.75% income tax on November 2, 2010. Renewal of the levy was essential to the financial health of the District.

Contacting the School District's Financial Management

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

ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2010

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$15,539,166
Cash and Cash Equivalents with Fiscal Agent	<u>10,307</u>
Total Assets	<u><u>15,549,473</u></u>
Net Assets:	
Restricted for:	
Debt Service	314,036
Capital Outlay	12,352,461
Set-Asides	342,422
Other Purposes	472,587
Unrestricted	<u>2,067,967</u>
Total Net Assets	<u><u>\$15,549,473</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Program Cash Receipts</u>			Net (Disbursements)
	<u>Cash</u>	<u>Charges</u>	<u>Operating Grants</u>	Receipts and
	<u>Disbursements</u>	<u>for Services</u>	<u>Contributions</u>	Changes in
		<u>and Sales</u>	<u>and Interest</u>	Capital Grants
				and Contributions
				Governmental
				Activities
Governmental Activities:				
Instruction:				
Regular	\$4,814,814	\$596,951	\$110,425	(\$4,107,438)
Special	935,246	124,835	169,450	(640,961)
Vocational	77,129		28,873	(48,256)
Other	37,014			(37,014)
Support Services:				
Pupil	519,369		281,792	(237,577)
Instructional Staff	516,810	48,281	23,903	(444,626)
Board of Education	81,726			(81,726)
Administration	697,771			(697,771)
Fiscal	251,529			(251,529)
Operation and Maintenance of Plant	667,643		197,408	(470,235)
Pupil Transportation	458,091		76,770	(381,321)
Central	6,756		5,000	(1,756)
Operation of Non-Instructional Services	336,251	238,660	101,524	3,933
Extracurricular Activities	327,311	113,187	13,289	\$10,000 (190,835)
Capital Outlay	15,310,757			6,656,426 (8,654,331)
Principal Retirement	195,000			(195,000)
Interest and Fiscal Charges	527,106			(527,106)
Refund of Prior Year Receipts	2,134			(2,134)
Totals	<u>\$25,762,457</u>	<u>\$1,121,914</u>	<u>\$1,008,434</u>	<u>\$6,666,426</u> <u>(16,965,683)</u>
General Receipts:				
				1,955,014
Property Taxes Levied for General Purposes				719,970
Property Taxes Levied for Debt Service				45,123
Property Taxes Levied for Capital Maintenance				1,604,002
Income Taxes				4,593,202
Grants and Entitlements not Restricted to Specific Programs				(76,659)
Investment Earnings				9,542
Miscellaneous				<u>8,850,194</u>
Total General Receipts				8,850,194
Change in Net Assets				(8,115,489)
Net Assets Beginning of Year				<u>23,664,962</u>
Net Assets End of Year				<u>\$15,549,473</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2010**

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$2,067,967	\$2,382,700	\$9,969,719	\$776,358	\$15,196,744
Cash and Cash Equivalents with Fiscal Agent				10,307	10,307
Restricted Asset:					
Equity in Pooled Cash and Cash Equivalents	342,422				342,422
Total Assets	<u>2,410,389</u>	<u>2,382,700</u>	<u>9,969,719</u>	<u>786,665</u>	<u>15,549,473</u>
Fund Balances:					
Reserved for Encumbrances	152,626	1,546,554	5,856,855	74,145	7,630,180
Reserved for Textbooks and Instructional Materials	322,193				322,193
Reserved for School Bus Purchase	20,229				20,229
Unreserved:					
Undesignated, Reported in:					
General Fund	1,915,341				1,915,341
Special Revenue Funds				398,442	398,442
Debt Service Fund				314,036	314,036
Capital Projects Funds		836,146	4,112,864	42	4,949,052
Total Fund Balances	<u>\$2,410,389</u>	<u>\$2,382,700</u>	<u>\$9,969,719</u>	<u>\$786,665</u>	<u>\$15,549,473</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property Taxes	\$1,955,014			\$765,093	\$2,720,107
Income Tax	1,604,002				1,604,002
Intergovernmental	4,473,029		\$6,656,255	1,107,657	12,236,941
Interest	24,427	\$79,292	209,960	227	313,906
Loss on Sale of Investments		(106,092)	(284,246)		(390,338)
Tuition and Fees	629,825			120,183	750,008
Customer Sales and Service				238,660	238,660
Extracurricular Activities				133,246	133,246
Contributions and Donations	10,016			20,553	30,569
Rent	6,258				6,258
Miscellaneous	3,087				3,087
Total Receipts	<u>8,705,658</u>	<u>(26,800)</u>	<u>6,581,969</u>	<u>2,385,619</u>	<u>17,646,446</u>
Disbursements					
Current:					
Instruction:					
Regular	4,630,086			184,728	4,814,814
Special	765,376			169,870	935,246
Vocational	77,129				77,129
Other	37,014				37,014
Support Services:					
Pupil	236,488			282,881	519,369
Instructional Staff	447,217			69,593	516,810
Board of Education	81,726				81,726
Administration	696,951			820	697,771
Fiscal	232,708			18,821	251,529
Operation and Maintenance of Plant	509,962			157,681	667,643
Pupil Transportation	397,128			60,963	458,091
Central	1,645			5,111	6,756
Operation of Non-instructional Activities	375			335,876	336,251
Extracurricular Activities	201,779			125,532	327,311
Capital Outlay	8,779	1,472,825	13,829,153		15,310,757
Principal				195,000	195,000
Interest				527,106	527,106
Total Disbursements	<u>8,324,363</u>	<u>1,472,825</u>	<u>13,829,153</u>	<u>2,133,982</u>	<u>25,760,323</u>
Excess of Revenues Under Expenditures					
Excess of Receipts Over (Under) Disbursements	<u>381,295</u>	<u>(1,499,625)</u>	<u>(7,247,184)</u>	<u>251,637</u>	<u>(8,113,877)</u>
Other Financing Sources (Uses):					
Transfers In				8,204	8,204
Transfers Out	(8,204)				(8,204)
Advances In	3,855			1,995	5,850
Advances Out	(1,995)			(3,855)	(5,850)
Proceeds from Sale of Capital Assets					
Refund of Prior Year Expenditures	181	16	155	170	522
Refund of Prior Year Receipts	(45)			(2,089)	(2,134)
Total Other Financing Sources(Uses)	<u>(6,208)</u>	<u>16</u>	<u>155</u>	<u>4,425</u>	<u>(1,612)</u>
Net Change in Fund Balances	<u>375,087</u>	<u>(1,499,609)</u>	<u>(7,247,029)</u>	<u>256,062</u>	<u>(8,115,489)</u>
Fund Balances Beginning of Year	<u>2,035,302</u>	<u>3,882,309</u>	<u>17,216,748</u>	<u>530,603</u>	<u>23,664,962</u>
Fund Balances End of Year	<u>\$2,410,389</u>	<u>\$2,382,700</u>	<u>\$9,969,719</u>	<u>\$786,665</u>	<u>\$15,549,473</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$1,815,000	\$1,810,777	\$1,955,014	\$144,237
Income Taxes	1,600,000	1,600,416	1,604,002	3,586
Intergovernmental	4,728,000	4,728,000	4,473,029	(254,971)
Tuition and Fees	488,500	488,500	629,825	141,325
Interest	46,000	46,000	24,427	(21,573)
Rent	2,000	2,000	6,258	4,258
Gifts and Donations	10,000	10,000	10,016	16
Miscellaneous	22,000	22,000	3,087	(18,913)
Total Revenues	<u>8,711,500</u>	<u>8,707,693</u>	<u>8,705,658</u>	<u>(2,035)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,682,225	4,646,679	4,646,686	(7)
Special	833,255	772,669	772,673	(4)
Vocational	70,207	77,424	77,425	(1)
Other	34,240	40,617	40,617	
Support Services:				
Pupil	252,091	240,152	240,151	1
Instructional Staff	485,592	458,537	458,535	2
Board of Education	86,932	84,511	84,512	(1)
Administration	727,307	705,431	705,434	(3)
Fiscal	276,437	235,876	235,881	(5)
Operation and Maintenance of Plant	724,747	552,156	552,157	(1)
Pupil Transportation	533,249	443,826	443,825	1
Central	750	1,645	1,645	
Extracurricular Activities	200,701	201,777	201,779	(2)
Operation of Non-Instructional Services		375	375	
Capital Outlay	38,442	15,293	15,294	(1)
Total Expenditures	<u>8,946,175</u>	<u>8,476,968</u>	<u>8,476,989</u>	<u>(21)</u>
Excess of Revenues Over (Under) Expenditures	<u>(234,675)</u>	<u>230,725</u>	<u>228,669</u>	<u>(2,056)</u>
Other Financing Sources (Uses):				
Transfers Out		(8,204)	(8,204)	
Advances Out	(3,500)	(1,995)	(1,995)	
Advances In			3,855	3,855
Proceeds from Sale of Capital Assets	500	500		(500)
Refund of Prior Year Receipts	(300)	(45)	(45)	
Refund of Prior Year Expenditures	1,500	1,500	181	(1,319)
Total Other Financing Sources (Uses)	<u>(1,800)</u>	<u>(8,244)</u>	<u>(6,208)</u>	<u>2,036</u>
Net Change in Fund Balance	(236,475)	222,481	222,461	(20)
Fund Balance Beginning of Year	1,818,825	1,818,825	1,818,825	
Prior Year Encumbrances Appropriated	216,480	216,480	216,480	
Fund Balance End of Year	<u>\$1,798,830</u>	<u>\$2,257,786</u>	<u>\$2,257,766</u>	<u>(\$20)</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2010**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$30,759	\$25,771
Investments in Segregated Accounts	4,192	
Total Assets	34,951	25,771
Liabilities:		
Due to Students		\$25,771
Net Assets:		
Held in Trust for Scholarships	34,951	
	\$34,951	

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Private Purpose Trust
Additions:	
Gifts and Contributions	\$5,867
Interest	255
	\$6,122
Deductions:	
Payments in Accordance with Trust Agreements	4,633
	1,489
Change in Net Assets	1,489
Net Assets - Beginning of Year	33,462
Net Assets - End of Year	\$34,951

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was originally established in 1885 and consolidated as the Arcanum-Butler Local School District through the consolidation of existing land areas and School Districts. The School District serves an area of approximately 54 square miles. It is located in Darke County, and includes all of the Villages of Arcanum, Ithaca, Gordon, and Castine and portions of Twin, Butler, VanBuren, and Neave Townships. It is staffed by 40 non-certificated employees, 74 certified full-time teaching personnel and 5 administrative employees who provide services to 1,024 students and other community members. The School District currently operates three instructional buildings, one administrative building and one garage.

A. Reporting Entity

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

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

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

Jointly Governed Organizations:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

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

Related Organization:
Arcanum Public Library

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Fund Accounting

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

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

1. Governmental Fund Types

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Funds

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

B. Basis of Presentation

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

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

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

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

2. Fund Financial Statements

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

C. Basis of Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Budgetary Process

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

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

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

E. Cash, Cash Equivalents and Investments

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

The School District invested in non-negotiable certificates of deposit, STAR Ohio, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, Bank of America, Citigroup and mutual funds during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes.

The District values investments and cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2010 were \$24,427, which included \$21,327 that was assigned from the General Fund to other funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Restricted Assets

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

G. Inventory

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

H. Prepaid Items

On the cash-basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as disbursements when made.

I. Capital Assets

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

J. Accumulated Leave

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

K. Fund Balance Reserves

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

L. Net Assets

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Activity

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

3. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, Passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
7. The State Treasurer's investment pool (STAR Ohio).

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

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

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

At June 30, 2010, the School District had \$800 in un-deposited cash on hand.

A. Deposits

At June 30, 2010, the book balance of the School District's deposits was \$9,111,691 and the bank balance was \$9,193,726.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June, 30, 2010, \$4,319 of the government's bank balance of \$9,193,726 was exposed to custodial credit risk in that it was uninsured and collateralized with collateral held by the third party agent but not in the School District's name.

B. Investments

As of June 30, 2010, the School District had the following investments:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

<u>Investment</u>	<u>Carrying Amount</u>	<u>Maturity Date</u>
STAR Ohio	\$1,683,605	Various
Federal Home Loan Mortgage Corporation	99,000	02/15/15*
Federal Home Loan Bank Bond	1,370,000	10/22/10
Bank of America Bond	1,008,639	12/23/10
Citigroup Bond	505,567	3/30/12
Mutual Funds	1,820,586	Various
	<u>\$6,487,397</u>	

*Callable 2/15/11

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

Concentration of Credit Risk: The School District places no limit on the amount it may invest in any one issuer. 28% of the District's investments at June 30, 2010, were in mutual funds, 21% were in the Federal Home Loan Bank, 16 % were in the Bank of America, and 8% were in Citigroup.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. The School District's investments in the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, Bank of America and Citigroup were rated AAA by Moody's Investors Service and AAA by Standard & Poor's at June 30, 2010. The School District's investment in STAR Ohio was rated AAAM by Standards & Poor's at June 30, 2010.

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

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$15,606,003	\$4,192
Petty cash	(800)	
Cash with Fiscal Agent	(10,307)	
Investments:		
STAR Ohio	(1,683,605)	1,683,605
Federal Home Loan Bank	(1,370,000)	1,370,000
Federal Home Loan Mortgage Corporation	(99,000)	99,000
Bank of America Bond	(1,008,639)	1,008,639
Citigroup Bond	(505,567)	505,567
Mutual Funds	(1,820,586)	1,820,586
Bliss Memorial Scholarship CD	4,192	(4,192)
GASB Statement No. 3	<u>\$9,111,691</u>	<u>\$6,487,397</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax receipts received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar 2009 represents collections of calendar year 2009 taxes. Public utility real taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009, and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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.

The amount available as an advance at June 30, 2010 was \$192,806 in the General Fund, \$70,588 in the Bond Retirement Fund and \$4,433 in the Classroom Facilities Building Fund.

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 and Other Real Estate	\$104,749,470	95%	\$105,478,630	95%
Public Utility Personal	5,553,280	5	5,770,450	5
Total	\$110,302,750	100%	\$111,249,080	100%
 Tax rate per \$1,000 of assessed valuation		 \$34.15		 \$34.15

5. INCOME TAX

As of June 30, 2010, the School District levies a voted tax of a total of one and one half percent for general operations on the income of residents and of estates. One half or .75% of the tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts to the General Fund during fiscal year 2010 were \$1,604,002.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

6. BUDGETARY BASIS OF ACCOUNTING

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

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

Net Change in Fund Balance	
Cash Basis	\$375,087
Adjustment for Encumbrances	(152,626)
Budgetary Basis	\$222,461

7. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2010, the School District contracted with the Ohio Casualty Insurance Company for general liability, property, and fleet insurance. Coverage provided is as follows:

Buildings and Contents – replacement cost	\$23,265,144
Automobile Liability	1,000,000
Uninsured Motorist	1,000,000
School Board Legal Liability (\$2,500 deductible)	1,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate per member	2,000,000
Sexual abuse and molestation	
Per Occurrence	1,000,000
Aggregate per member	1,000,000
Errors and Omissions	1,000,000
Employer's Liability and Stop Gap	
Per Occurrence	1,000,000
Total per year	1,000,000
Employee Benefit Liability	
Per Occurrence	1,000,000
Aggregate per member	3,000,000
Public Employee Dishonesty	50,000
Umbrella Liability	
Aggregate Limit	5,000,000

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2010, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2010, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 11). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the MBP. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is 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. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$132,823, \$81,677, and \$69,472 respectively; 43 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a Comprehensive Annual Financial Report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio web site at www.strsoh.org.

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

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

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009, and 2008 were \$526,108, \$591,967 and \$532,461 respectively; 82 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$11,566 made by the School District and \$8,262 made by the plan members.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. POSTEMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2010, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$40,470 for fiscal year 2010.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2009, (the latest information available) the balance in the Fund was \$2.7 billion. For the fiscal year ended June 30, 2009, net health care costs paid by STRS Ohio were \$298,110,000 and STRS Ohio had 129,659 eligible benefit recipients.

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. The School District's contributions for the fiscal years ended June 30, 2010, 2009, and 2008 were \$7,899, \$6,740, and \$5,006 which equaled the required contributions for the fiscal years.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with , Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2010, the health care allocation was .46 percent of covered payroll. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statues provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

For fiscal year 2010, the minimum pay was established at \$35,800. The surcharge added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$20,337, \$51,775, and \$45,964 respectively.

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

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

10. JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Dayton Educational Cooperative Association

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$42,717 for computer services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

B. Southwestern Ohio Educational Purchasing Council

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2010, the School District paid \$725 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Southwestern Ohio Instructional Technology Association

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2010, the School District paid \$1,888 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

11. INSURANCE PURCHASING POOLS

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

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

B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

12. RELATED ORGANIZATION

The Arcanum Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Arcanum-Butler Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely the Board of Trustees. The School District had no financial transactions with the Arcanum Public Library during fiscal year 2010. Financial information can be obtained from the Arcanum Public Library, Roberta J. Brown, Clerk/Treasurer, at 101 North Street, Arcanum, Ohio 45304.

13. SET-ASIDE CALCULATIONS

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

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

	Textbooks and Instructional Materials	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2009	\$289,659	
Current Year Set-aside Requirement	152,910	\$152,910
Qualifying Disbursements	(120,376)	(18,193)
Offsets		(45,123)
Prior Year Offset From Bond Proceeds		(89,594)
Balances Carried Forward to Future Fiscal Years	322,193	
Set-aside Reserve Balances as of June 30, 2010	\$322,193	\$ 0

14. LONG TERM OBLIGATIONS

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

	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10
Classroom Facilities Bonds 2008 3.00 – 4.50%	\$12,904,994	\$0	\$195,000	\$12,709,994

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

14. LONG TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

14. LONG TERM OBLIGATIONS (Continued)

Fiscal year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Term Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$210,000	\$120,881				\$400,150
2012	270,000	113,681				400,150
2013	290,000	105,281				400,150
2014	305,000	95,975				400,150
2015	320,000	85,818				400,150
2016-2020	725,000	341,844	\$204,994	\$900,006		2,000,750
2021-2025	1,305,000	82,553			\$1,000,000	1,958,888
2026-2030					3,065,000	1,476,401
2031-2035					4,060,000	691,878
2036-2038					955,000	21,488
Total	<u>\$3,425,000</u>	<u>\$946,033</u>	<u>\$204,994</u>	<u>\$900,006</u>	<u>\$9,080,000</u>	<u>\$8,150,155</u>

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

15. CONTINGENCIES

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

16. COMPLIANCE

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

17. CONTRACTUAL COMMITMENTS

As of June 30, 2010, the School District had significant contractual purchase commitments as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

17. CONTRACTUAL COMMITMENTS (Continued)

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/10</u>
Bovis Lend Lease	Construction Mgmt. Fees	\$ 190,377	\$ 123,745	\$ 66,632
Fanning/Howey	Professional Design Fees	1,569,782	1,356,292	213,490
Stan and Associates, Inc.	Commissioning Services	51,213	15,364	35,849
Geotechnical Work	Professional Services	9,000		9,000
Messer Construction	General trades	9,076,000	6,252,927	2,823,073
Ohio Valley Integration	Technology Cabling	1,523,200	145,176	1,378,024
Reddy Electric	Electric	1,658,250	1,193,718	464,532
Apex Mechanical	HVAC	2,542,770	1,927,690	615,080
Slagle Mechanical	Plumbing	1,110,937	710,081	400,856
Otis Elevator	Elevator	102,916	60,743	42,173
A-1 Sprinkler and Systems	Fire Protection	337,520	174,868	162,652
Stafford Smith	Kitchen equipment	368,960	200,904	168,056
Creative Cabinet Systems	Casework	668,940	19,993	648,947
Kenny Huston Company	Masonry	3,466,500	3,198,984	267,516
Professional Services	Construction phase testing	160,000	58,787	101,213
Brickler and Eckler	Construction Legal Fees	10,000	3,485	6,515
		<u>\$22,846,365</u>	<u>\$15,442,757</u>	<u>\$7,403,608</u>

18. SUBSEQUENT EVENTS

After the balance sheet date, the School District entered into a contract with D&M Excavating, Inc. for exterior improvements for \$591,695, with NuWave Technology for technology additions for \$251,010, with SBD Commercial Interiors for office furniture for \$369,477, and with Continental Office Equipment for student furnishings for \$91,832.

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

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

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program		10.555		\$14,284		\$14,284
Cash Assistance:						
National School Breakfast Program		10.553	\$6,621		\$6,621	
National School Lunch Program		10.555	92,309		92,309	
Total National School Lunch Program			<u>98,930</u>	<u>14,284</u>	<u>98,930</u>	<u>14,284</u>
Total U.S. Department of Agriculture			98,930	14,284	98,930	14,284
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Cluster:						
Title I Grant to Local Educational Agencies	2009	84.010	33,673		31,697	
	2010	84.010	59,024		53,276	
Total			<u>92,697</u>		<u>84,973</u>	
ARRA - Title I Grant to Local Educational Agencies	2010	84.389	46,763		48,758	
Total Title I Cluster			<u>139,460</u>		<u>133,731</u>	
Drug Free Schools and Communities	2009	84.186			2,856	
	2010		2,412		2,171	
Total Drug Free Schools and Communities			<u>2,412</u>		<u>5,027</u>	
ARRA - State Fiscal Stabilization Fund	2010	84.394	274,178		222,275	
State Grants for Innovative Programs	2009	84.298			682	
Title II-D, Technology Programs	2010	84.318	251		251	
Title II-A Improving Teacher Quality	2009	84.367			1,272	
	2010		48,602		48,602	
Total Title II-A Improving Teacher Quality			<u>48,602</u>		<u>49,874</u>	
Total Department of Education			<u>464,903</u>		<u>411,840</u>	
Total Federal Assistance			<u>\$563,833</u>	<u>\$14,284</u>	<u>\$510,770</u>	<u>\$14,284</u>

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

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

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Disbursements (the Schedule) reports the School 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 School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting disbursements on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arcanum-Butler Local School District, Darke County, (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 19, 2011, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 School 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 School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 19, 2011.

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

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



Dave Yost
Auditor of State

January 19, 2011



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Arcanum-Butler Local School District, Darke County, (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Arcanum Butler Local School 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 and questioned costs identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

As described in finding 2010-002 in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding the period of availability of funds applicable to its Title I – Grants to Local Educational Agencies, major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-002 to be a material weakness.

We also noted a matter involving federal compliance over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated January 19, 2011.

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



Dave Yost
Auditor of State

January 19, 2011

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

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

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	State Fiscal Stabilization Fund-ARRA - CFDA #84.394; Title I Cluster (Title I Grant to Local Educational Agencies - CFDA #84.010 and Title I grant to Local Educational Agencies – ARRA CFDA #84.389)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2010-001

NONCOMPLIANCE

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

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

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

Official's Response:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Period of Availability of Funds

Finding Number	2010-002
CFDA Title and Number	CFDA #84.010 – Title I Grants to Local Educational Agencies
Federal Award Number / Year	2009 and 2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE/MATERIAL WEAKNESS/QUESTIONED COST

34 C.F.R. §80.23(a) states where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

FINDING NUMBER 2010-002

The District expended \$4,731 from the 2010 Title I Grant on payroll expenditures that were earned in 2009, which falls outside of the 2010 grant award period of July 1, 2009 through June 30, 2010. The following shows the expenditures were for teacher's wages and retirement:

AMOUNT	DESCRIPTION
\$4,367	Salaries (for pay period end 7/30/09 and 8/13/09)
\$ 364	Retirement (for August 2009)
\$4,731	Total Title I 2009 Grant

The District also expended \$24,629 from the 2009 Title I Grant on expenditures for services provided in fiscal year 2010, which falls outside the 2009 grant award period of July 1, 2008 - June 30, 2009. The following shows the expenditures were for teacher's wages, retirement, insurance, and travel expenditures:

AMOUNT	DESCRIPTION
\$20,609	Salaries (for pay period end 11/5/09, 11/19/09, 12/3/09, 12/7/09, 12/31/09, 1/14/10, 1/28/10, and 2/11/10)
\$ 2,298	Retirement (for November and December 2009 & January and February 2010)
\$ 1,002	Insurance (for November 2009, December 2009, and January 2010)
\$ 720	Travel (for period of 10/26/09 – 1/28/10)
\$24,629	Total Title I 2010 Grant

As a result of not properly charging expenditures within the proper grant year, there are questioned costs in the amount of \$29,360.

Also, **34 C.F.R. §80.20(b)** states the financial management systems of other grantees and sub-grantees must meet the following standard regarding financial reporting: accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or sub-grant. **34 C.F.R. §80.21 and ODE online Project Cash Request forms** provide, in part, except for the initial PCR, cash requests are limited to one advance per month (up to 10% of the approved budget amount) plus any negative balance (amount by which program expenditures exceed project cash received to date).

Because the District charged the above amounts to the wrong grant year, the School District also overstated actual expenditures on two of their Title I 2009 grant Project Cash Request form totaling \$24,629. This also resulted in the District's expenditures on the Final Expenditure Report being overstated by \$24,629.

The District should implement policies and procedures to ensure that actual expenditures are reported on all project cash requests and the Final Expenditure Report.

Official's Response: Officials did not respond to this finding.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010 and 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	ORC 117.38 and OAC 117-2-03 (B) – Failure to prepare financial statements in accordance with generally accepted accounting principles.	No	Repeated as finding 2010-001
2009-002	ORC 5705.41 (D) – Proper certification of the availability of appropriations prior to entering into purchase obligations.	Yes	

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FISCAL YEAR ENDED JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-002	<p>34 CFR 80.23(a) & 34 CFR 80.20(b) & 34 CFR 80.21</p> <p>The district treasurer will attend training sessions sponsored by OASBO, Ohio Department of Education, Ohio School Board Association, or the Ohio Auditor of State to gain a better understanding of federal grants and reporting.</p>	5/31/2011	Matt Huffman (937) 692-5174



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ARCANUM BUTLER LOCAL SCHOOL DISTRICT

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 8, 2011