



Dave Yost • Auditor of State



**ARCANUM BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Arcanum Butler Local School District  
Darke County  
2011 Trojan Ave.  
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 Arcanum Butler Local School District, Darke County, Ohio (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School 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 modified 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Arcanum Butler Local School District, Darke County, Ohio, as of June 30, 2012, and the respective changes in modified cash financial position, thereof and the 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 October 24, 2012, 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.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. The schedule of federal awards receipts and disbursements (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

October 24, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
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, 2012, within the limitations of the District's modified 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 2012 are as follows:

- Net assets decreased \$2,136,274.
- General receipts accounted for \$9,216,812 in receipts or 81% of all receipts. Program specific cash receipts in the form of charges for services, grants, contributions, and interest accounted for \$2,222,374, or 19% of total receipts.
- The School District had \$13,575,460 in disbursements related to governmental activities; only \$2,222,374 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General receipts of \$9,216,812 were used to help fund some of these disbursements.
- The General Fund had an increase in fund balance of \$238,135 during fiscal year 2012. The Classroom Facilities Fund had a decrease in fund balance of \$1,638,925 during fiscal year 2012.

**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 modified 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.

**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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

As a result of using the modified 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 modified 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 2012, within the limitations of modified 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 modified 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 and the Classroom Facilities Fund.

***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 modified 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for 2012 compared to 2011 on a modified cash basis:

<b>Table 1</b>		
<b>Net Assets</b>		
	<b>2012</b>	<b>2011</b>
<b>Assets:</b>		
Total Assets	\$4,965,080	\$7,101,354
<b>Net Assets:</b>		
<b>Restricted for:</b>		
Debt Service	463,982	397,667
Capital Outlay	1,336,167	3,723,106
Set-Asides	57,333	321,912
Other Purposes	407,465	533,898
Unrestricted	2,700,133	2,124,771
Total Net Assets	\$4,965,080	\$7,101,354

Total net assets decreased \$2,136,274 during fiscal year 2012. Net assets restricted for capital outlay decreased due to payment of construction expenses from the classroom facilities monies.

Table 2 reflects the changes in net assets in fiscal year 2012, and a comparative balance to fiscal year 2011.

	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	\$ 1,446,592	\$ 1,258,976
Operating Grants, Contributions and Interest	741,820	910,351
Capital Grants and Contributions	33,962	1,062,090
Total Program Revenues	2,222,374	3,231,417
<b>General Revenues:</b>		
Property Taxes	2,746,894	2,687,334
Income Tax	1,690,624	1,554,852
Grants and Entitlements	4,708,024	4,549,938
Investment Earnings	19,403	41,012
Loss on Sale of Investments	(66,132)	
Miscellaneous	117,999	111,932
Total General Revenues	9,216,812	8,945,068
Total Revenues	11,439,186	12,176,485
<b>Program Expenses:</b>		
<b>Instruction:</b>		
Regular	5,076,629	5,043,341
Special	990,168	890,107
Vocational	84,009	77,096
Other	44,145	48,752

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

	2012	2011
<b>Program Expenses: (Continued)</b>		
<b>Support Services:</b>		
Pupils	416,831	467,273
Instructional Staff	450,564	581,192
Board of Education	95,533	99,203
Administration	705,545	720,224
Fiscal	263,220	248,469
Operation and Maintenance of Plant	850,414	902,922
Pupil Transportation	512,588	450,546
Central	1,298	5,913
Operation of Non-Instructional Services	295,408	319,179
Extracurricular Activities	364,181	341,389
Capital Outlay	2,641,096	9,711,160
Principal Retirement	270,000	210,000
Interest and Fiscal Charges	513,831	521,031
Total Expenses	13,575,460	20,637,797
Increase (Decrease) in Net Assets	(2,136,274)	(8,461,312)
Net Assets – Beginning of Year	7,101,354	15,562,666
Net Assets – End of Year	\$4,965,080	\$7,101,354

**Governmental Activities**

The largest source of receipts for governmental activities for fiscal year 2012 were unrestricted grants and entitlements, which accounted for 41% of all receipts. Property and income taxes accounted for about 39% of all receipts. Charges for services, which are mostly tuition and fees and lunchroom charges, were about 13% of total receipts during 2012. Operating and capital grants and contributions accounted for about 7% of all receipts.

Instruction accounted for approximately 46 percent of total cash disbursements for fiscal year 2012, with Regular Instruction making up the largest share at about 37 percent of total disbursements. Capital outlay expenditures, which were mostly construction costs for the new school, accounted for 19 percent of total cash disbursements for fiscal year 2012. Pupil and Instructional Staff support services accounted for about 6 percent of total disbursements. Board of Education, Administration, and Fiscal disbursements accounted for another 8 percent of disbursements. Operation and maintenance of plant disbursements accounted for 6% of total disbursements. Capital outlay disbursements decreased due to less money being expended for the new school building construction costs during fiscal year 2012 as compared to 2011.

**Statement of Activities**

If you look at the Statement of Activities on page 12, you will see that the first column lists the major activities of the District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, restricted State entitlements and investment earnings. A comparative analysis to fiscal year 2011 is also presented.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

**Table 3**

	<b>Total Cost Of Services 2012</b>	<b>Net Cost of Services 2012</b>	<b>Total Cost of Services 2011</b>	<b>Net Cost of Services 2011</b>
<b>Instruction:</b>				
Regular	\$ 5,076,629	\$ 4,042,240	\$ 5,043,341	\$ 4,304,860
Special	990,168	769,434	890,107	608,671
Vocational	84,009	64,544	77,096	53,233
Other	44,145	44,415	48,752	48,752
<b>Support Services:</b>				
Pupils	416,831	257,656	467,273	235,552
Instructional Staff	450,564	403,869	581,192	514,380
Board of Education	95,533	95,533	99,203	80,206
Administration	705,545	705,545	720,224	720,224
Fiscal	263,220	263,220	248,469	248,469
Operation and Maintenance of Plant	850,414	850,414	902,922	664,515
Pupil Transportation	512,588	512,588	450,546	374,850
Central	1,298	1,298	5,913	913
Operation of Non-Instructional Services	295,408	(29,042)	319,179	(26,314)
Extracurricular Activities	364,181	192,912	341,389	197,968
Capital Outlay	2,641,096	2,394,899	9,711,160	8,649,070
Principal Retirement	270,000	270,000	210,000	210,000
Interest and Fiscal Charges	513,831	513,831	521,031	521,031
<b>Total Expenses</b>	<b><u>\$13,575,460</u></b>	<b><u>\$11,353,086</u></b>	<b><u>\$20,637,797</u></b>	<b><u>\$17,406,380</u></b>

Charges for services and operating and capital grants of about 19 percent of total cash receipts were received and used to fund the expenses of the District. The remaining 81 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The District relies on these receipts to furnish the services it provides to students.

**The District's Funds**

Information about the District's major governmental fund begins on page 11. The District's major funds are the General Fund and the Classroom Facilities Fund. All of the governmental funds had total receipts of \$11,439,186 and total disbursements of \$13,575,460. At the end of fiscal year 2012, unassigned fund balance of the General Fund was \$2,199,402. The greatest change within the funds occurred in the Classroom Facilities Fund, which had a decrease in fund balance of \$1,638,925, due to the payment of construction costs for the new school.

**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 2012, the General Fund had original appropriations of \$9,095,481 and final appropriations of \$9,225,495. Actual expenditures plus encumbrances were \$9,094,063. Original estimated receipts were \$8,517,300 and final estimated receipts were \$9,149,473. Actual receipts for fiscal year 2012 were \$9,149,869.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

**Capital Assets**

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

**Debt**

At June 30, 2011, the School District had \$12,499,994 outstanding in general obligation bonds. These bonds are being paid through the Bond Retirement Fund with property tax revenue. During fiscal year 2012, the School District paid \$270,000 in principal on the bonds, so the balance of the bonds at June 30, 2012 was \$12,229,994. For more information on the School District's debt, see Note 15 of the notes to the basic financial statements.

**Current Financial Issues and Concerns**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. 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 five-year 0.75% income tax levy on November 2, 2010. Continued renewal of the levy is 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, 2011 Trojan Avenue, Arcanum, OH 45304.

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

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2012**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,962,445
Cash and Cash Equivalents with Fiscal Agent	<u>2,635</u>
Total Assets	<u><u>\$4,965,080</u></u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Debt Service	\$463,982
Capital Outlay	1,336,167
Set-Asides	57,333
Other Purposes	407,465
Unrestricted	<u>2,700,133</u>
Total Net Assets	<u><u>\$4,965,080</u></u>

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants Contributions and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$5,076,629	\$758,007	\$276,382		(\$4,042,240)
Special	990,168	92,304	128,430		(769,434)
Vocational	84,009		19,465		(64,544)
Other	44,145				(44,145)
<b>Support Services:</b>					
Pupil	416,831		159,175		(257,656)
Instructional Staff	450,564	25,475	21,220		(403,869)
Board of Education	95,533				(95,533)
Administration	705,545				(705,545)
Fiscal	263,220				(263,220)
Operation and Maintenance of Plant	850,414				(850,414)
Pupil Transportation	512,588				(512,588)
Central	1,298				(1,298)
Operation of Non-Instructional Services	295,408	199,638	124,812		29,042
Extracurricular Activities	364,181	138,933	12,336	\$20,000	(192,912)
Capital Outlay	2,641,096	232,235		13,962	(2,394,899)
Principal Retirement	270,000				(270,000)
Interest and Fiscal Charges	513,831				(513,831)
<b>Totals</b>	<u>\$13,575,460</u>	<u>\$1,446,592</u>	<u>\$741,820</u>	<u>\$33,962</u>	<u>(\$11,353,086)</u>
<b>General Receipts:</b>					
Property Taxes Levied for General Purposes					1,958,731
Property Taxes Levied for Debt Service					743,308
Property Taxes Levied for Capital Maintenance					44,855
Income Taxes					1,690,624
Grants and Entitlements not Restricted to Specific Programs					4,708,024
Investment Earnings					19,403
Loss on Sale of Investments					(66,132)
Miscellaneous					117,999
<b>Total General Receipts</b>					<u>9,216,812</u>
Change in Net Assets					(2,136,274)
Net Assets Beginning of Year					<u>7,101,354</u>
Net Assets End of Year					<u>\$4,965,080</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2012**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,619,695	\$1,046,827	\$1,238,590	\$4,905,112
Cash and Cash Equivalents with Fiscal Agent			2,635	2,635
<b>Restricted Asset:</b>				
Equity in Pooled Cash and Cash Equivalents	57,333			57,333
<b>Total Assets</b>	<u>\$2,677,028</u>	<u>\$1,046,827</u>	<u>\$1,241,225</u>	<u>\$4,965,080</u>
<b>Fund Balances:</b>				
Restricted	57,333	1,046,827	1,160,787	2,264,947
Committed			80,438	80,438
Assigned	420,293			420,293
Unassigned	2,199,402			2,199,402
<b>Total Fund Balances</b>	<u>\$2,677,028</u>	<u>\$1,046,827</u>	<u>\$1,241,225</u>	<u>\$4,965,080</u>

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
Property Taxes	\$1,958,731		\$788,163	\$2,746,894
Income Tax	1,690,624			1,690,624
Intergovernmental	4,572,662		862,447	5,435,109
Interest	19,403	\$10,388	3,578	33,369
Loss on Sale of Investments	(117)	(46,646)	(19,369)	(66,132)
Tuition and Fees	729,144		108,823	837,967
Customer Sales and Service			199,638	199,638
Extracurricular Activities	16,911		138,883	155,794
Contributions and Donations	43,102		14,731	57,833
Miscellaneous	42,772			42,772
<b>Total Receipts</b>	<u>9,073,232</u>	<u>(36,258)</u>	<u>2,096,894</u>	<u>11,133,868</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,725,822		350,807	5,076,629
Special	862,471		127,697	990,168
Vocational	83,029		980	84,009
Other	44,145			44,145
<b>Support Services:</b>				
Pupil	248,503		168,328	416,831
Instructional Staff	408,119		42,445	450,564
Board of Education	95,533			95,533
Administration	704,598		947	705,545
Fiscal	243,037		20,183	263,220
Operation and Maintenance of Plant	731,788		118,626	850,414
Pupil Transportation	512,588			512,588
Central			1,298	1,298
Operation of Non-instructional Activities	231		295,177	295,408
Extracurricular Activities	223,708		140,473	364,181
Capital Outlay	68,175	1,004,268	1,568,653	2,641,096
Principal			270,000	270,000
Interest			513,831	513,831
<b>Total Disbursements</b>	<u>8,951,747</u>	<u>1,004,268</u>	<u>3,619,445</u>	<u>13,575,460</u>
Excess of Receipts Over (Under) Disbursements	<u>121,485</u>	<u>(1,040,526)</u>	<u>(1,522,551)</u>	<u>(2,441,592)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In			598,399	598,399
Transfers Out		(598,399)		(598,399)
Advances In	49,436			49,436
Advances Out			(49,436)	(49,436)
Refund of Prior Year Expenditures	156		69	225
Insurance Recoveries			232,235	232,235
Proceeds from Sale of Capital Assets	67,058		5,800	72,858
<b>Total Other Financing Sources(Uses)</b>	<u>116,650</u>	<u>(598,399)</u>	<u>787,067</u>	<u>305,318</u>
Net Change in Fund Balances	238,135	(1,638,925)	(735,484)	(2,136,274)
Fund Balances Beginning of Year - Restated (Note 3)	<u>2,438,893</u>	<u>2,685,752</u>	<u>1,976,709</u>	<u>7,101,354</u>
Fund Balances End of Year	<u>\$2,677,028</u>	<u>\$1,046,827</u>	<u>\$1,241,225</u>	<u>\$4,965,080</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property Taxes	\$1,910,000	\$1,958,731	\$1,958,731	
Income Taxes	1,575,000	1,690,624	1,690,624	
Intergovernmental	4,267,500	4,565,421	4,572,662	\$7,241
Tuition and Fees	657,500	729,144	729,144	
Interest	41,500	26,131	19,403	(6,728)
Loss on Sale of Investments			(117)	(117)
Rent	300			
Gifts and Donations	10,000	20,000	20,000	
Miscellaneous	50,000	109,830	42,772	(67,058)
<b>Total Revenues</b>	<u>8,511,800</u>	<u>9,099,881</u>	<u>9,033,219</u>	<u>(66,662)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,738,847	4,710,587	4,710,589	(2)
Special	797,013	887,347	887,348	(1)
Vocational	75,420	83,256	83,256	
Other	45,000	44,145	44,145	
<b>Support Services:</b>				
Pupil	246,657	251,129	251,129	
Instructional Staff	407,145	429,465	429,466	(1)
Board of Education	88,100	95,533	95,533	
Administration	736,434	708,039	708,039	
Fiscal	246,680	251,105	251,104	1
Operation and Maintenance of Plant	831,312	745,316	745,316	
Pupil Transportation	575,697	529,039	529,038	1
Central	1,550			
Extracurricular Activities	261,426	223,708	223,708	
Operation of Non-Instructional Services	700	231	231	
Capital Outlay	30,500	135,161	135,161	
<b>Total Expenditures</b>	<u>9,082,481</u>	<u>9,094,061</u>	<u>9,094,063</u>	<u>(2)</u>
Excess of Revenues Over (Under) Expenditures	<u>(570,681)</u>	<u>5,820</u>	<u>(60,844)</u>	<u>(66,664)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(7,500)	(131,434)		131,434
Transfers In				
Advances Out	(5,000)			
Advances In		49,436	49,436	
Proceeds from Sale of Capital Assets	5,000		67,058	67,058
Refund of Prior Year Receipts	(500)			
Refund of Prior Year Expenditures	500	156	156	
<b>Total Other Financing Sources (Uses)</b>	<u>(7,500)</u>	<u>(81,842)</u>	<u>116,650</u>	<u>198,492</u>
Net Change in Fund Balance	(578,181)	(76,022)	55,806	131,828
Fund Balance Beginning of Year- Restated (Note 3)	2,191,818	2,191,818	2,191,818	
Residual Equity Transfers				
Prior Year Encumbrances Appropriated	229,998	229,998	229,998	
<b>Fund Balance End of Year</b>	<u>\$1,843,635</u>	<u>\$2,345,794</u>	<u>\$2,477,622</u>	<u>\$131,828</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$9,375	\$17,542
Investments in Segregated Accounts	19,234	
Total Assets	\$28,609	\$17,542
 <b>Liabilities:</b>		
Due to Students		\$17,542
 <b>Net Assets:</b>		
Held in Trust for Scholarships	\$28,609	
	\$28,609	

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Gifts and Contributions	\$13,000
Interest	131
	<u>13,131</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>472</u>
Change in Net Assets	12,659
Net Assets - Beginning of Year	<u>15,950</u>
Net Assets - End of Year	<u><u>\$28,609</u></u>

*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, 2012**

**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, Van Buren, and Neave Townships. It is staffed by 40 non-certificated employees, 71 certified full-time teaching personnel and 5 administrative employees who provide services to 1,037 students and other community members. The School District currently operates one building which houses all operations of the school.

**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 11, 12 and 13 to the basic financial statements. These organizations are:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

Jointly Governed Organizations:

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

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 modified 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 modified 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.

**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, 2012  
(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 modified-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 modified 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, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a result of the modified 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 Bank, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, commercial paper, and mutual funds during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes.

The District values investments and cash equivalents at cost.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2012 were \$19,403, which included \$2,628 that was assigned from the General Fund to other funds.

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 restricted for bus purchases and amounts restricted by the donor for baseball and softball fields.

**G. Inventory**

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

**H. Prepaid Items**

On the modified cash-basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2012, 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 modified-cash basis of accounting.

**K. Fund Balance Reserves**

Fund balance is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted fund balance is available.

Fund balance is reported as committed when the Board of Education of the School District has placed constraints on the use of resources by resolution.

Fund balance is reported as assigned when the Treasurer has encumbered or otherwise set aside resources not already committed to be used for a specific purpose.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Unassigned fund balance represents resources not restricted, committed or assigned to a specific purpose.

The School District applies committed resources first and then assigned resources when a disbursement is incurred for purposes which committed, assigned and unassigned fund balance is available.

**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.

**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. RESTATEMENT OF FUND BALANCE**

The fund balance of the other governmental funds was restated \$1,037,312 at June 30, 2011, from \$939,397 to \$1,976,709 due to the reclassification of the Building Fund from a major fund to a non-major fund.

The fund balance of the General Fund on the Budget (non-GAAP Basis) was restated \$12,591 at June 30, 2011 from \$2,204,409 to \$2,191,818. The restatement was a result of presenting only the legally adopted budget for the General Fund for fiscal year 2012. In the past, the budgetary basis presentation included all funds that were included with the General Fund on a modified cash basis.

**4. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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, 2012, the School District had \$1,000 in un-deposited cash on hand.

**A. Deposits**

At June 30, 2012, the book balance of the School District's deposits was \$1,419,419 and the bank balance was \$1,442,920.

**B. Investments**

As of June 30, 2012, the School District had the following investments:

<u>Investment</u>	<u>Amount</u>	<u>Maturity Date</u>
STAR Ohio	\$1,835,187	Various
Toyota Motor Credit Commercial Paper	419,248	10/26/12
Federal National Mortgage Association Note	175,000	05/29/15
Federal National Mortgage Association Note	265,000	10/30/15
Federal Home Loan Mortgage Corporation Discount Note	49,894	08/06/12
Federal Home Loan Bank Note	160,000	07/12/13
Federal Home Loan Bank Note	174,832	08/28/13
Federal Home Loan Bank Note	174,996	10/15/13
Invesco STIT Government and Agency Mutual Fund	328,022	Various
First American Treasury Obligations Mutual Fund	6,278	Various
	<u>\$3,588,457</u>	

**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. 51% of the District's investments at June 30, 2012 were in STAR Ohio, 14% were in the Federal Home Loan Bank, 12% were in the Federal National Mortgage Association, 12 % were in Toyota Motor Group, and 9% were in the Invesco STIT Government and Agency Mutual Fund.

**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 Bank, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association were rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's at June 30, 2012. The School District's investment in STAR Ohio was rated AAAm by Standards & Poor's at June 30, 2012. The School District's investment in Toyota Motor Credit was rated P-1 by Moody's Investors Service and A-1+ by Standars & Poor's at June 30, 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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:

	<b>Cash and Cash Equivalents/ Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$4,991,997	\$19,234
Petty cash	(1,000)	
Cash with Fiscal Agent	(2,635)	
<b>Investments:</b>		
STAR Ohio	(1,835,187)	1,835,187
Federal Home Loan Bank	(509,828)	509,828
Federal Home Loan Mortgage Corporation	(49,894)	49,894
Federal National Mortgage Association	(440,000)	440,000
Toyota Motor Credit Commercial Paper	(419,248)	419,248
Invesco STIT Government and Agency Mutual Fund	(328,022)	328,022
First American Treasury Obligations Mutual Fund	(6,278)	6,278
Scholarship CDs	19,234	(19,234)
GASB Statement No. 3	\$1,419,139	\$3,588,457

**5. 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 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2011 represents collections of calendar year 2011 taxes. Public utility real taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**5. PROPERTY TAXES (Continued)**

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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2012 was \$212,450 in the General Fund, \$82,409 in the Bond Retirement Fund and \$4,822 in the Classroom Facilities Building Fund.

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

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$105,804,180	94%	\$107,654,880	95%
Public Utility Personal	6,199,930	6	5,703,930	5
Total	\$112,004,110	100%	\$113,358,810	100%
Tax rate per \$1,000 of assessed valuation	\$34.15		\$34.15	

**6. INCOME TAX**

As of June 30, 2012, 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. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts to the General Fund during fiscal year 2012 were \$1,690,624.

**7. BUDGETARY BASIS OF ACCOUNTING**

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

- (1) outstanding year-end encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (modified cash), and,
- (2) difference in perspective arises from some funds being included in the general fund (modified cash basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statement to the budgetary basis statement for the General Fund:

<b>Net Change in Fund Balance:</b>	
Modified Cash Basis	\$238,135
Adjustment for Encumbrances	(174,720)
Difference in Perspective	(7,609)
Budgetary Basis	\$ 55,806

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**8. 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 2012, 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	\$35,663,106
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 misconduct 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.

**B. Workers’ Compensation**

For fiscal year 2012, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**C. Employee Medical Benefits**

For fiscal year 2012, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 12). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the 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.

**9. 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, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at [ohsers.org](http://ohsers.org) under Employers/Audit Resources.

For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate of 14 percent of annual covered payroll. The contributions requirement of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Healthcare Fund) of the system. For fiscal year 2012, the allocation to pension and death benefits is 12.70 percent of annual covered salary. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$137,506, \$125,183, and \$132,823 respectively; 65 percent has been contributed for fiscal year 2012 and 100 percent has been contributed for fiscal year 2011 and 2010

**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](http://www.strsoh.org).

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

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. 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage of up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

For the fiscal year ended June 30, 2012, 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 2011. 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, 2012, 2011, and 2010 were \$560,922, \$519,170 and \$526,108 respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$13,233 made by the School District and \$9,452 made by the plan members.

**10. 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.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

All STRS Ohio retirees who participated in the DB or Combined Plans and their 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, 2012, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's required contributions for the fiscal years ended June 30, 2012, 2011, and 2010, were \$43,148, \$39,936, and \$40,470. 83% has been contributed for fiscal year 2012 and 100% has been contributed for fiscal years 2011 and 2010.

The financial reports of the STRS Ohio's Health Care Stabilization Fund are included in its stand-alone report that can be obtained by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org) or by calling toll-free 1-888-227-7877.

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 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on income. 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 2012, the actuarially required allocation was .75%. The School District's required contributions for the fiscal years ended June 30, 2012, 2011, and 2010 were \$8,120, \$8,058, and \$7,899. 65 percent has been contributed for fiscal year 2012, and 100 percent has been contributed for fiscal year 2011 and 2010.

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, Medicare Advantage, 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 105façade. 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, 2012, the health care allocation was .55 percent of covered payroll.

In addition, a surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

For fiscal year 2012, 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's required contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$21,893, \$30,886, and \$20,337 respectively. 91 percent has been contributed for fiscal year 2012 and 100 percent has been contributed for fiscal year 2011 and 2010.

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 visiting the SERS website at [ohsers.org](http://ohsers.org) under Employers/Audit Resources.

**11. 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 \$19,831 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 2012, the School District paid \$691 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**11. 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 2012, the School District paid \$785 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.

**12. 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, 2012  
(Continued)**

**13. RELATED ORGANIZATION**

The Arcanum Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Arcanum-Butler Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the 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 2012. Financial information can be obtained from the Arcanum Public Library, Roberta J. Brown, Clerk/Treasurer, at 101 North Street, Arcanum, Ohio 45304.

**14. SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. 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 amount for capital acquisition. Disclosure of this information is required by State statute.

	<b>Capital Acquisition</b>
Set-aside Reserve Balance as of June 30, 2011	
Current Year Set-aside Requirement	\$175,224
Offsets	(44,855)
Qualifying Disbursements	(20,833)
Prior Year Offset from Bond Proceeds	(109,536)
Set-aside Balances Carried Forward to Future Fiscal Years	\$ 0
Set-aside Reserve Balances as of June 30, 2012	\$ 0

**15. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	<b>Principal Outstanding 6/30/11</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/12</b>
Classroom Facilities Bonds				
2008 3.00 – 4.50%	\$12,499,994	\$0	\$270,000	\$12,229,994

**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.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

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

<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:

<u>Fiscal year Ending June 30,</u>	<u>Serial Bonds</u>		<u>Capital Appreciation Bonds</u>		<u>Term Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 290,000	\$105,281				\$ 400,150
2014	305,000	95,975				400,150
2015	320,000	85,818				400,150
2016	340,000	74,669				400,150
2017		68,718	\$ 79,175	\$280,826		400,150
2018-2022	1,230,000	312,290	125,819	619,980		2,000,750
2023-2027	460,000	9,488			\$2,125,000	1,826,820
2028-2032					3,430,000	1,193,368
2033-2036					3,525,000	328,163
<b>Total</b>	<u>\$2,945,000</u>	<u>\$752,239</u>	<u>\$204,994</u>	<u>\$900,806</u>	<u>\$9,080,000</u>	<u>\$7,349,851</u>

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

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**16. 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, 2012.

**17. 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 modified 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.

**18. FUND BALANCE**

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2012 were as follows:

<u>Fund Balance</u>	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Restricted for:</b>				
Bus Purchases	\$ 47,625			\$ 47,625
Baseball/Softball fields	9,708			9,708
School construction		\$1,046,827	\$ 199,429	1,246,256
Facilities Maintenance			214,771	214,771
Debt Retirement			463,982	463,982
School Library			7,231	7,231
Special Education			9,589	9,589
Network Connectivity			7,061	7,061
Professional Development			31	31
Food Service Operations			79,368	79,368
Athletics			89,214	89,214
Capital Improvements			89,865	89,865
Handicapped Preschool			246	246
<b>Total Restricted</b>	<u>57,333</u>	<u>1,046,827</u>	<u>1,160,787</u>	<u>2,264,947</u>
<b>Committed to:</b>				
Latchkey/Preschool			4,192	4,192
Uniform School Supplies			76,246	76,246
<b>Total Committed</b>			<u>80,438</u>	<u>80,438</u>

(Continued)

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**18. FUND BALANCE (Continued)**

<u>Fund Balance</u>	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assigned for:</b>				
Unpaid Obligations	108,296			108,296
Capital Improvements	292,020			292,020
Educational Activities	19,977			19,977
Total Assigned	<u>420,293</u>			<u>420,293</u>
Unassigned	2,199,402			2,199,402
Total Fund Balance	<u>\$2,677,028</u>	<u>\$1,046,827</u>	<u>\$1,241,225</u>	<u>\$4,965,080</u>

**19. CONTRACTUAL COMMITMENTS**

As of June 30, 2012, the School District had significant purchase commitments as:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/12</u>
Facade Forensics	Damaged Gym Wall	\$ 11,200		\$ 11,200
Brumbaugh Construction	Damaged Gym Wall	182,185	\$ 91,093	91,092
Messer Construction	Renovation	113,870	103,870	10,000
Ohio Valley Integration	Renovation	48,434		48,434
DB Cabinets	Renovation	17,890		17,890
Brumbaugh Construction	Renovation	598,399	508,531	89,868
Bolyard Heating and Air	Renovation	273,126	255,081	18,045
Arcanum Water and Light	Renovation	26,140		26,140
Gateway Environmental	Demolition	354,400	326,664	27,736
Kenny Huston Company	Masonry – new school	3,466,500	3,269,277	197,223
		<u>\$5,092,144</u>	<u>\$4,554,516</u>	<u>\$537,628</u>

**20. STUDENT ATTENDANCE REVIEW**

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

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

**ARCANUM BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>(Passed through the Ohio Department of Education)</i>						
<b>Nutrition Cluster:</b>						
Non Cash Assistance (Food Distribution)						
National School Lunch Program		10.555		\$16,465		\$16,465
Cash Assistance:						
School Breakfast Program		10.553	\$11,310		\$11,310	
National School Lunch Program		10.555	111,250		111,250	
Total Cash-Assistance Subtotal:			<u>122,560</u>		<u>122,560</u>	
Total Nutrition Cluster			<u>122,560</u>	<u>16,465</u>	<u>122,560</u>	<u>16,465</u>
Total U.S. Department of Agriculture			122,560	16,465	122,560	16,465
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>(Passed through the Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	2011	84.010	22,243		20,048	
	2012		79,413		76,329	
			<u>101,656</u>		<u>96,377</u>	
Safe & Drug Free School and Communities - State Grants	2011	84.186			241	
Improving Teacher Quality State Grants	2011	84.367	11,670		11,670	
	2012		17,111		17,111	
Total Improving Teacher Quality State Grants			<u>28,781</u>		<u>28,781</u>	
Education Jobs Grants	2012	84.410	245,206		245,206	
Total U.S. Department of Education			<u>375,643</u>		<u>370,605</u>	
Total Federal Assistance			<u>\$498,203</u>	<u>\$16,465</u>	<u>\$493,165</u>	<u>\$16,465</u>

See Accompanying Notes to the Schedule of Federal Awards Receipts and Disbursements.

**ARCANUM BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Disbursements (the Schedule) reports the Arcanum Butler Local School District's (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 expenditures 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.



# 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  
2011 Trojan Ave  
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 Arcanum Butler Local School District, Darke County, (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 24, 2012, 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 opinions 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

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 October 24, 2012.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. 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, Board of Education and 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

October 24, 2012



# Dave Yost • Auditor of State

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

Arcanum Butler Local School District  
Darke County  
2011 Trojan Ave.  
Arcanum, Ohio 45304

To the Board of Education:

### Compliance

We have audited the compliance of Arcanum Butler Local School District (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 the School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings 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 opine on the School District's compliance based on our audit.

Our compliance audit followed 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*. These 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 Government's compliance with these 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 these requirements.

In our opinion, the Arcanum Butler Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### 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.

**Internal Control Over Compliance  
(Continued)**

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

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

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



**Dave Yost**  
Auditor of State

October 24, 2012

**ARCANUM BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<b>Nutrition Cluster</b> CFDA 10.553 & 10.555  <b>Education Jobs Fund</b> CFDA #84.410
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**1. Failure to file GAAP Financial Statements**

**FINDING NUMBER 2012-01**

**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 Adm. 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 for fiscal year 2012 following the modified cash accounting basis. This is a comprehensive accounting basis other than 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.

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

**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**

None

**ARCANUM BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Ohio Rev. Code Section 3318 – Unallowable expenses made from Maintenance Fund.	Yes	
2011-002	Ohio Rev. Code Section 117.38 – Failure to File GAAP Report	No	Repeated as finding 2012-01
2011-003	Section 14003(a) of the American Recovery and Reinvestment act of 2009 – Questioned Costs/Unallowable expenditures from SFSF Grant	Yes	

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Arcanum Butler Local School District  
Darke County  
2011 Trojan Avenue  
Arcanum, Ohio 45304

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on September 6, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

**Dave Yost**  
Auditor of State

October 24, 2012

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# Dave Yost • Auditor of State

**ARCANUM BUTLER LOCAL SCHOOL DISTRICT**

**DARKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 27, 2012**