



Dave Yost • Auditor of State

**ARLINGTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Arlington Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Arlington Local School District, Hancock County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements, the District implemented Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

January 20, 2012

**Arlington Local School District
Hancock County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited**

The discussion and analysis of Arlington Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2011 are as follows:

Net assets decreased \$232,573, or approximately 4 percent. Although revenues increased a modest 2 percent and expenses were relatively the same as the prior fiscal year, expenses were in excess of revenues for fiscal year 2011 resulting in overall decrease in net assets.

General revenues were 79 percent of total revenues and continue to reflect the School District's significant dependence on taxes and unrestricted state entitlements.

Using the Basic Financial Statements

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

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

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

**Arlington Local School District
Hancock County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited**

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2011 and fiscal year 2010:

Table 1 Net Assets			
	Governmental Activities		
	2011	2010	Change
<u>Assets:</u>			
Current and Other Assets	\$4,557,219	\$4,773,570	(\$216,351)
Capital Assets, Net	4,761,309	4,879,827	(118,518)
Total Assets	<u>9,318,528</u>	<u>9,653,397</u>	<u>(334,869)</u>
<u>Liabilities:</u>			
Current and Other Liabilities	\$1,999,780	\$1,957,810	(\$41,970)
Long-Term Liabilities	1,419,225	1,563,491	144,266
Total Liabilities	<u>3,419,005</u>	<u>3,521,301</u>	<u>102,296</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	3,881,309	3,884,827	(3,518)
Restricted	792,014	611,906	180,108
Unrestricted	1,226,200	1,635,363	(409,163)
Total Net Assets	<u>\$5,899,523</u>	<u>\$6,132,096</u>	<u>(\$232,573)</u>

The above table reflects a couple of significant changes from the prior fiscal year. The decrease in current and other assets is primarily due to a decrease in cash and cash equivalents resulting from cash carryover spending (expenses were greater than revenues for fiscal year 2011). This decrease is also reflected in the decrease in unrestricted net assets. However, within current and other assets, there was also a slight increase in intergovernmental receivables due to amounts to be received from the Education

**Arlington Local School District
Hancock County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited**

Jobs and Race to the Top grant programs. These amounts are reflected in the increase in restricted net assets.

Table 2 reflects the change in net assets for fiscal year 2011 and fiscal year 2010.

Table 2
Change in Net Assets

	Governmental Activities		
	2011	2010	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$496,300	\$484,997	\$11,303
Operating Grants, Contributions, and Interest	944,526	844,227	100,299
Capital Grants and Contributions	3,144	49,535	(46,391)
Total Program Revenues	<u>1,443,970</u>	<u>1,378,759</u>	<u>65,211</u>
General Revenues			
Property Taxes Levied for General Purposes	1,234,902	1,094,781	140,121
Property Taxes Levied for Debt Service	99,235	100,551	(1,316)
Income Taxes Levied for General Purposes	922,987	903,867	19,120
Grants and Entitlements	3,038,467	3,110,165	(71,698)
Interest	11,717	23,143	(11,426)
Gifts and Donations	6,009	14,038	(8,029)
Miscellaneous	67,749	66,703	1,046
Total General Revenues	<u>5,381,066</u>	<u>5,313,248</u>	<u>67,818</u>
Total Revenues	<u>6,825,036</u>	<u>6,692,007</u>	<u>133,029</u>
<u>Expenses</u>			
Instruction:			
Regular	3,138,716	3,186,548	47,832
Special	789,997	795,170	5,173
Vocational	323,205	273,665	(49,540)
Support Services:			
Pupils	285,746	281,886	(3,860)
Instructional Staff	360,649	349,526	(11,123)
Board of Education	32,589	25,208	(7,381)
Administration	499,216	497,972	(1,244)
Fiscal	215,704	185,464	(30,240)
Operation and Maintenance of Plant	545,859	573,947	28,088
Pupil Transportation	277,740	260,575	(17,165)
Central	683	1,428	745
Non-Instructional Services	250,261	257,358	7,097
Extracurricular Activities	308,876	301,454	(7,422)
Interest and Fiscal Charges	28,368	12,656	(15,712)
Total Expenses	<u>7,057,609</u>	<u>7,002,857</u>	<u>(54,752)</u>
Decrease in Net Assets	<u>(232,573)</u>	<u>(310,850)</u>	<u>78,277</u>
Net Assets at Beginning of Year	<u>6,132,096</u>	<u>6,442,946</u>	<u>(310,850)</u>
Net Assets at End of Year	<u>\$5,899,523</u>	<u>\$6,132,096</u>	<u>(\$232,573)</u>

**Arlington Local School District
Hancock County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited**

The overall change in revenues was 2 percent, not a significant change. Program revenues increased slightly, primarily due to additional grant resources from the Education Jobs and Race to the Top grant programs.

The change in program expenses was also not significant, less than 1 percent.

As to be expected, the School District's greatest expenses are for instruction which accounted for 60 percent of all governmental expenses. However, other programs supporting the instruction process also account for a significant portion of the School District's expenses, such as pupils, instructional staff, and pupil transportation (13 percent). Maintenance of the School District's facilities also represents a significant expense, 8 percent. Therefore, 81 percent of the School District's expenses are directly related to the primary functions of providing facilities and delivering education.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction:				
Regular	\$3,138,716	\$3,186,548	\$2,676,146	\$2,904,553
Special	789,997	795,170	359,327	409,978
Vocational	323,205	273,665	276,223	226,912
Support Services:				
Pupils	285,746	281,886	166,214	31,895
Instructional Staff	360,649	349,526	360,649	349,526
Board of Education	32,589	25,208	32,589	25,208
Administration	499,216	497,972	499,216	497,972
Fiscal	215,704	185,464	215,704	185,464
Operation and Maintenance of Plant	545,859	573,947	545,859	573,947
Pupil Transportation	277,740	260,575	277,740	260,393
Central	683	1,428	683	1,428
Non-Instructional Services	250,261	257,358	(28,491)	(22,830)
Extracurricular Activities	308,876	301,454	203,412	166,996
Interest and Fiscal Charges	28,368	12,656	28,368	12,656
Total Expenses	\$7,057,609	\$7,002,857	\$5,613,639	\$5,624,098

With the substantial contribution of general revenues for funding the School District's activities, only a limited number of activities are affected by program revenues. Approximately 55 percent of special instruction costs are provided for through operating grants for special instruction programs. All of non-instructional services costs were provided for through program revenues for fiscal year 2011. This consists of cafeteria sales, state and federal subsidies, and donated commodities for food service operations. A good portion, 34 percent, of extracurricular activities costs are covered by program revenues. These consist of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

**Arlington Local School District
Hancock County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited**

The School District's Funds

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

General Fund Budgeting Highlights

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

During fiscal year 2011, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget and from the final budget to actual revenues were not significant. For expenditures, changes from the original budget to the final budget were not significant; however, the final expenditures were almost 7 percent less than the final budget as savings were realized in most programs.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$4,761,309 invested in capital assets (net of accumulated depreciation). Additions and disposals were minimal. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2011, the School District had outstanding energy conservation bonds and general obligation bonds, in the amount of \$545,000 and \$335,000, respectively. The bonds were issued for an energy conservation project and for constructing a building addition. The bonds were issued for a fifteen year period, with final maturity in fiscal years 2025 and 2015, respectively. The School District's long-term obligations also included compensated absences. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

Current Issues

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

The existing negotiated agreement is a two year agreement in which all employees are receiving no pay or step increase for fiscal year 2012. The contract contains a reopen clause for salaries which will be determined in the spring of 2012.

The School District pursued a new building project through the Ohio School Facilities Commission; however, it was defeated by the voters in May 2011. The Board of Education will continue to discuss a future vision for the School District.

**Arlington Local School District
Hancock County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited**

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Angie Spridgeon, Treasurer, Arlington Local School District, 336 South Main Street, Arlington, Ohio 45814.

**Arlington Local School District
Hancock County
Statement of Net Assets
June 30, 2011**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$2,559,290
Accounts Receivable	7,118
Accrued Interest Receivable	210
Intergovernmental Receivable	183,813
Prepaid Items	21,630
Inventory Held for Resale	25,948
Materials and Supplies Inventory	14,098
Income Taxes Receivable	375,816
Property Taxes Receivable	1,369,296
Nondepreciable Capital Assets	309,090
Depreciable Capital Assets, Net	4,452,219
Total Assets	<u>9,318,528</u>
 <u>Liabilities:</u>	
Accounts Payable	23,764
Accrued Wages and Benefits Payable	556,260
Intergovernmental Payable	172,687
Deferred Revenue	1,244,885
Accrued Interest Payable	2,184
Long-Term Liabilities:	
Due Within One Year	154,574
Due in More Than One Year	1,264,651
Total Liabilities	<u>3,419,005</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	3,881,309
Restricted For:	
Set Asides	369,285
Debt Service	71,064
Food Service	104,984
Athletics	69,386
Other Purposes	177,295
Unrestricted	1,226,200
Total Net Assets	<u><u>\$5,899,523</u></u>

See Accompanying Notes to the Basic Financial Statements

**Arlington Local School District
Hancock County
Statement of Activities
For the Fiscal Year Ended June 30, 2011**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
Expenses			
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$3,138,716	\$203,963	\$256,608
Special	789,997	14,575	416,095
Vocational	323,205	150	46,832
Support Services:			
Pupils	285,746		119,532
Instructional Staff	360,649		
Board of Education	32,589		
Administration	499,216		
Fiscal	215,704		
Operation and Maintenance of Plant	545,859		
Pupil Transportation	277,740		
Central	683		
Non-Instructional Services	250,261	180,997	97,755
Extracurricular Activities	308,876	96,615	7,704
Interest and Fiscal Charges	28,368		
Total Governmental Activities	<u>\$7,057,609</u>	<u>\$496,300</u>	<u>\$944,526</u>
			<u>\$3,144</u>

General Revenues:

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

Change in Net Assets

Net Assets at Beginning of Year - Restated (Note 3)
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Governmental
Activities

(\$2,676,146)
(359,327)
(276,223)

(166,214)
(360,649)
(32,589)
(499,216)
(215,704)
(545,859)
(277,740)
(683)
28,491
(203,412)
(28,368)

(5,613,639)

1,234,902
99,235
922,987
3,038,467
11,717
6,009
67,749

5,381,066

(232,573)

6,132,096

\$5,899,523

**Arlington Local School District
Hancock County
Balance Sheet
Governmental Funds
June 30, 2011**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,933,823	\$256,182	\$2,190,005
Accounts Receivable	7,118		7,118
Accrued Interest Receivable	210		210
Intergovernmental Receivable		183,813	183,813
Prepaid Items	21,630		21,630
Inventory Held for Resale		25,948	25,948
Materials and Supplies Inventory	13,566	532	14,098
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	369,285		369,285
Income Taxes Receivable	375,816		375,816
Property Taxes Receivable	1,274,849	94,447	1,369,296
Total Assets	<u><u>\$3,996,297</u></u>	<u><u>\$560,922</u></u>	<u><u>\$4,557,219</u></u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$15,702	\$8,062	\$23,764
Accrued Wages and Benefits Payable	516,490	39,770	556,260
Intergovernmental Payable	162,373	10,314	172,687
Deferred Revenue	1,247,726	264,287	1,512,013
Total Liabilities	<u><u>1,942,291</u></u>	<u><u>322,433</u></u>	<u><u>2,264,724</u></u>
<u>Fund Balances:</u>			
Nonspendable	35,196	26,480	61,676
Restricted	369,285	219,902	589,187
Committed	44,202		44,202
Assigned	67,045		67,045
Unassigned (Deficit)	1,538,278	(7,893)	1,530,385
Total Fund Balances	<u><u>2,054,006</u></u>	<u><u>238,489</u></u>	<u><u>2,292,495</u></u>
Total Liabilities and Fund Balances	<u><u>\$3,996,297</u></u>	<u><u>\$560,922</u></u>	<u><u>\$4,557,219</u></u>

See Accompanying Notes to the Basic Financial Statements

**Arlington Local School District
Hancock County
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2011**

Total Governmental Fund Balances	\$2,292,495
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,761,309
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	6,319	
Intergovernmental Receivable	176,840	
Income Taxes Receivable	58,558	
Property Taxes Receivable	25,411	
		267,128

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(2,184)	
Energy Conservation Bonds Payable	(545,000)	
General Obligation Bonds Payable	(335,000)	
Compensated Absences Payable	(539,225)	
		(1,421,409)

Net Assets of Governmental Activities	\$5,899,523
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See Accompanying Notes to the Basic Financial Statements

**Arlington Local School District
Hancock County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>			
Property Taxes	\$1,235,221	\$99,661	\$1,334,882
Income Taxes	929,417		929,417
Intergovernmental	3,194,056	646,032	3,840,088
Interest	11,382	707	12,089
Tuition and Fees	218,069		218,069
Extracurricular Activities	695	95,920	96,615
Charges for Services		180,997	180,997
Gifts and Donations	6,009	7,704	13,713
Miscellaneous	66,727	517	67,244
Total Revenues	<u>5,661,576</u>	<u>1,031,538</u>	<u>6,693,114</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,980,013	155,624	3,135,637
Special	713,110	97,957	811,067
Vocational	320,477	355	320,832
Support Services:			
Pupils	165,404	118,855	284,259
Instructional Staff	353,003	2,695	355,698
Board of Education	32,589		32,589
Administration	492,798	2,270	495,068
Fiscal	213,317	2,035	215,352
Operation and Maintenance of Plant	385,339	128,483	513,822
Pupil Transportation	186,574	44,308	230,882
Central	683		683
Non-Instructional Services		249,297	249,297
Extracurricular Activities	183,693	108,361	292,054
Debt Service:			
Principal Retirement	25,000	90,000	115,000
Interest and Fiscal Charges	8,140	20,660	28,800
Total Expenditures	<u>6,060,140</u>	<u>1,020,900</u>	<u>7,081,040</u>
Excess of Revenues Over (Under) Expenditures	(398,564)	10,638	(387,926)
<u>Other Financing Sources:</u>			
Sale of Capital Assets	<u>900</u>		<u>900</u>
Changes in Fund Balances	(397,664)	10,638	(387,026)
Fund Balances at Beginning of Year - Restated (Note 3)	<u>2,451,670</u>	<u>227,851</u>	<u>2,679,521</u>
Fund Balances at End of Year	<u>\$2,054,006</u>	<u>\$238,489</u>	<u>\$2,292,495</u>

See Accompanying Notes to the Basic Financial Statements

**Arlington Local School District
Hancock County
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2011**

Changes in Fund Balances - Total Governmental Funds (\$387,026)

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

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

Capital Outlay	68,730	
Capital Contributions	3,144	
Depreciation	<u>(187,097)</u>	(115,223)

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

Proceeds from Sale of Capital Assets	(3,800)	
Gain on Disposal of Capital Assets	<u>505</u>	(3,295)

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

Property Taxes	(745)	
Income Taxes	(6,430)	
Intergovernmental	134,829	
Tuition and Fees	<u>619</u>	128,273

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

Energy Conservation Bonds	25,000	
General Obligation Bonds	<u>90,000</u>	115,000

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net assets. 432

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 29,266

Change in Net Assets of Governmental Activities (\$232,573)

See Accompanying Notes to the Basic Financial Statements

**Arlington Local School District
Hancock 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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$1,178,190	\$1,233,190	\$1,210,221	(\$22,969)
Income Taxes	877,061	877,061	914,223	37,162
Intergovernmental	3,278,777	3,272,228	3,194,056	(78,172)
Interest	24,650	24,650	11,615	(13,035)
Tuition and Fees	206,626	206,626	218,491	11,865
Extracurricular Activities	2,500	3,091	695	(2,396)
Gifts and Donations	16,500	19,111	6,009	(13,102)
Miscellaneous	21,556	21,556	65,757	44,201
Total Revenues	<u>5,605,860</u>	<u>5,657,513</u>	<u>5,621,067</u>	<u>(36,446)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,285,721	3,289,297	2,992,083	297,214
Special	744,751	744,751	717,070	27,681
Vocational	290,745	290,745	322,739	(31,994)
Support Services:				
Pupils	167,371	167,371	164,561	2,810
Instructional Staff	368,000	368,000	354,117	13,883
Board of Education	48,573	48,573	39,412	9,161
Administration	518,262	518,262	498,495	19,767
Fiscal	226,514	226,514	221,839	4,675
Operation and Maintenance of Plant	493,389	493,389	397,641	95,748
Pupil Transportation	194,377	194,377	188,701	5,676
Central	2,100	2,100	683	1,417
Extracurricular Activities	184,981	184,981	179,727	5,254
Debt Service:				
Principal Retirement	25,000	25,000	25,000	
Interest and Fiscal Charges	8,140	8,140	8,140	
Total Expenditures	<u>6,557,924</u>	<u>6,561,500</u>	<u>6,110,208</u>	<u>451,292</u>
Excess of Expenditures Over Revenues	<u>(952,064)</u>	<u>(903,987)</u>	<u>(489,141)</u>	<u>414,846</u>
<u>Other Financing Sources:</u>				
Sale of Capital Assets	2,900	1,000	900	(100)
Refund of Prior Year Expenditures	1,000	1,000	437	(563)
Total Other Financing Sources	<u>3,900</u>	<u>2,000</u>	<u>1,337</u>	<u>(663)</u>
Changes in Fund Balance	(948,164)	(901,987)	(487,804)	414,183
Fund Balance at Beginning of Year	2,711,399	2,711,399	2,711,399	
Prior Year Encumbrances Appropriated	43,956	43,956	43,956	
Fund Balance at End of Year	<u>\$1,807,191</u>	<u>\$1,853,368</u>	<u>\$2,267,551</u>	<u>\$414,183</u>

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Hancock County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$3,204	\$26,286
<u>Liabilities:</u>		
Due to Students		\$26,286
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$3,204	

See Accompanying Notes to the Basic Financial Statements

**Arlington Local School District
Hancock County
Statement of Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2011**

Additions:

Gifts and Donations	\$2,050
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Deductions:

Non-Instructional Services	<u>1,750</u>
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Change in Net Assets	300
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Net Assets at Beginning of Year - Restated (Note 3)	<u>2,904</u>
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Net Assets at End of Year	<u><u>\$3,204</u></u>
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See Accompanying Notes to the Basic Financial Statements

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1923. The School District serves an area of approximately seventy-six square miles. It is located in Hancock County, and includes all of the Village of Arlington and portions of Eagle, Jackson, Madison, and Van Buren Townships. The School District is the 577th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-nine classified employees, forty-nine certified teaching personnel, and four administrative employees who provide services to six hundred fifty-one students and other community members. The School District currently operates one facility which includes the elementary, middle, and high schools.

Reporting Entity

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

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

The School District participates in four jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Schools of Ohio Risk Sharing Authority, Hancock County Schools Health Benefit Fund, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 18 and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

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

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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

F. Cash and Investments

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

During fiscal year 2011, investments consisted of nonnegotiable certificates of deposit, which are recorded at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 was \$11,382, which includes \$509 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Inventory

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

I. Restricted Assets

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

J. Capital Assets

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

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

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

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

K. Compensated Absences

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

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

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

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

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

O. Capital Contributions

Capital contributions arise from outside contributions of capital assets.

P. Interfund Transactions

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

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

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

Q. Estimates

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

Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Assets

A. Change in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

B. Restatement of Fund Balance/Net Assets

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

**Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Assets
(Continued)**

	General	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2010	\$2,381,109	\$301,316	\$2,682,425
Change in Fund Structure	70,561	(73,465)	(2,904)
Adjusted Fund Balance at June 30, 2010	<u>\$2,451,670</u>	<u>\$227,851</u>	<u>\$2,679,521</u>

The restatement had the following effect on net assets.

	Governmental Activities	Private Purpose Trust
Net Assets at June 30, 2010	\$6,135,000	
Change in Fund Structure	(2,904)	\$2,904
Restated Net Assets at June 30, 2010	<u>\$6,132,096</u>	<u>\$2,904</u>

Note 4 - Accountability

At June 30, 2011, the Educational Management Information System, Title VI-B, Fiscal Stabilization, Title I, and Title II-A special revenue funds had deficit fund balances, in the amount of \$13, \$4,518, \$208, \$2,929, and \$225, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

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

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 5 - Budgetary Basis of Accounting (Continued)

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

Changes in Fund Balance	
GAAP Basis	(\$397,664)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2010, Received in Cash FY 2011	370,195
Accrued FY 2011, Not Yet Received in Cash	(410,267)
Expenditure Accruals:	
Accrued FY 2010, Paid in Cash FY 2011	(707,066)
Accrued FY 2011, Not Yet Paid in Cash	694,565
Prepaid Items	(666)
Materials and Supplies Inventory	(1,344)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(35,557)
Budget Basis	(\$487,804)

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 6 - Deposits and Investments (Continued)

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end \$1,052,990 of the School District's bank balance of \$2,645,494 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Note 7 - Receivables

Receivables at June 30, 2011, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 7 – Receivables (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Other Governmental Funds	
Education Jobs	\$174,090
Race to the Top	3,239
Title I	4,665
Title II-A	1,819
Total Intergovernmental Receivables	\$183,813

Note 8 - Income Taxes

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

Note 9 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 9 - Property Taxes (Continued)

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2011, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$92,000 in the General Fund and \$7,000 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2010, was \$67,000 in the General Fund and \$6,000 in the Bond Retirement debt service fund.

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

The assessed values upon which fiscal year 2011 taxes were collected are:

	<u>2010 Second- Half Collections</u>		<u>2011 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$59,954,570	91.73%	\$65,642,900	92.26%
Industrial/Commercial	3,607,090	5.52	3,621,190	5.09
Public Utility	1,799,760	2.75	1,885,440	2.65
Total Assessed Value	<u>\$65,361,420</u>	<u>100.00%</u>	<u>\$71,149,530</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.26		\$32.91	

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance at 6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/11</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$309,090			\$309,090
Depreciable Capital Assets				
Land Improvements	164,358			164,358
Buildings and Building Improvements	4,856,329	\$2,940		4,859,269
Furniture, Fixtures, and Equipment	877,819	68,934	(\$47,839)	898,914
Vehicles	590,536			590,536
Infrastructure	11,856			11,856
Total Depreciable Capital Assets	6,500,898	71,874	(47,839)	6,524,933
Less Accumulated Depreciation				
Land Improvements	(70,382)	(4,290)		(74,672)
Buildings and Building Improvements	(1,159,173)	(86,307)		(1,245,480)
Furniture, Fixtures, and Equipment	(481,489)	(50,965)	44,544	(487,910)
Vehicles	(216,964)	(45,298)		(262,262)
Infrastructure	(2,153)	(237)		(2,390)
Total Accumulated Depreciation	(1,930,161)	(187,097)	44,544	(2,072,714)
Depreciable Capital Assets, Net	4,570,737	(115,223)	(3,295)	4,452,219
Governmental Activities				
Capital Assets, Net	\$4,879,827	(\$115,223)	(\$3,295)	\$4,761,309

The School District accepted a contribution of depreciable capital assets for governmental activities with a fair value of \$3,144 during fiscal year 2011.

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 10 - Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$44,720
Special	3,621
Vocational	2,373
Support Services:	
Pupils	202
Instructional Staff	1,529
Administration	877
Fiscal	272
Operation and Maintenance of Plant	56,319
Pupil Transportation	45,870
Non-Instructional Services	6,378
Extracurricular Activities	24,936
Total Depreciation Expense	<u>\$187,097</u>

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted for the following insurance coverage.

Coverage provided by United Insurance Service is as follows:

Building and Contents	\$20,709,490
General School District Liability	12,000,000

Coverage provided by Auto Owners Mutual Insurance is as follows:

Automobile Liability	12,000,000
Uninsured Motorists	1,000,000

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

For fiscal year 2011, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

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

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 11 - Risk Management (Continued)

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

Note 12 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 12 - Defined Benefit Pension Plans (Continued)

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$304,203 and \$5,956 for the fiscal year ended June 30, 2011, \$358,175 and \$5,613 for the fiscal year ended June 30, 2010, and \$350,194 for the fiscal year ended June 30, 2009. For fiscal year 2011, 80 percent has been contributed for both the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The contribution to STRS Ohio for the DCP for fiscal year 2011 was \$6,406 made by the School District and \$4,575 made by the plan members. In addition, member contributions of \$4,254 were made for fiscal year 2011 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School District participates in 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 stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$89,705, \$97,586, and \$74,029, respectively. For fiscal year 2011, 31 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2011, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

A. State Teachers Retirement System

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

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 13 - Postemployment Benefits (Continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$24,351, \$27,992, and \$26,947, respectively. For fiscal year 2011, 80 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2011, this amount was \$35,800. For fiscal year 2011, the School District paid \$12,089 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$10,862, \$3,512, and \$33,879, respectively. For fiscal year 2011, 31 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$5,773, \$5,803, and \$6,108, respectively. For fiscal year 2011, 31 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred five days for all school personnel. Upon retirement, payment is made for 27 percent of accrued but unused sick leave credit to a maximum of fifty-five days.

B. Health Care Benefits

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

Note 15 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	<u>Balance at 6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/11</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
FY10 Energy Conservation Bonds 1.46%	\$570,000		\$25,000	\$545,000	\$35,000
FY00 Refunding School Improvement Bonds Term Bonds 5.1%	<u>425,000</u>		<u>90,000</u>	<u>335,000</u>	<u>85,000</u>
Total General Obligation Bonds	995,000		115,000	880,000	120,000
Compensated Absences Payable	<u>568,491</u>	<u>\$21,567</u>	<u>50,833</u>	<u>539,225</u>	<u>34,574</u>
Total Governmental Activities Long -Term Obligations	<u>\$1,563,491</u>	<u>\$21,567</u>	<u>\$165,833</u>	<u>\$1,419,225</u>	<u>\$154,574</u>

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

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 15 - Long-Term Obligations (Continued)

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

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

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

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

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

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

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 15 - Long-Term Obligations (Continued)

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

Year	Amount
2013	\$85,000

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

The refunded bonds have been fully retired.

Compensated absences will be paid from the General fund.

The School District's overall debt margin was \$6,005,116 with an unvoted debt margin of \$69,373 at June 30, 2011.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Term	Interest	Total
2012	\$120,000	\$23,680	\$143,680
2013	120,000	18,621	138,621
2014	120,000	13,478	133,478
2015	115,000	8,389	123,389
2016	40,000	5,621	45,621
2017-2021	200,000	19,346	219,346
2022-2025	165,000	4,926	169,926
	\$880,000	\$94,061	\$974,061

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 16 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Other Governmental	Total Governmental Funds
Nonspendable for:			
Inventory Held for Resale		\$25,948	\$25,948
Materials and Supplies Inventory	\$13,566	532	14,098
Prepaid Items	21,630		21,630
Total Nonspendable	35,196	26,480	61,676
Restricted for:			
Athletics and Music		69,386	69,386
Capital Improvements	311,525		311,525
Debt Retirement		71,557	71,557
Food Service Operations		78,504	78,504
Regular Instruction		455	455
Textbooks	57,760		57,760
Total Restricted	369,285	219,902	589,187
Committed for:			
Future Severance Payments	44,202		44,202
Assigned for:			
Educational Activities	40,346		40,346
Unpaid Obligations	26,699		26,699
Total Assigned	67,045		67,045
Unassigned (Deficit):	1,538,278	(7,893)	1,530,385
Total Fund Balance	\$2,054,006	\$238,489	\$2,292,495

Note 17 - Set Asides

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 17 - Set Asides (Continued)

	Textbooks	Capital Improvements
Balance June 30, 2010	\$10,739	\$297,337
Current Year Set Aside Requirement	92,889	92,889
Qualifying Expenditures	(45,868)	(78,701)
Balance June 30, 2011	\$57,760	\$311,525

Note 18 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2011, the School District paid \$16,953 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Career and Technology Center

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

C. Hancock County Local Professional Development Committee

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

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 18 - Jointly Governed Organizations (Continued)

D. Northwestern Ohio Educational Research Council, Inc.

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

Note 19 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

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

B. Hancock County Schools Health Benefit Fund

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

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Fund is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Hylant Group, 811 Madison Avenue, Toledo, Ohio 43604.

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

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

**Arlington Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)**

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

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

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**ARLINGTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster</u>			
Special Milk Program for Children	10.556	\$821	\$821
National School Lunch Program	10.555		
Cash Assistance		56,410	56,410
Non-Cash Assistance (Commodities)		29,847	29,847
Total National School Lunch Program		<u>86,257</u>	<u>86,257</u>
Total U.S. Department of Agriculture		<u>87,078</u>	<u>87,078</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Assistance			
Rural Education	84.358	38,924	38,924
<i>Passed Through Ohio Department of Education</i>			
Education Technology State Grants	84.318	157	157
Improving Teacher Quality State Grants	84.367	19,068	18,951
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	243,992	249,240
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	14,151	14,151
<u>Title I, Part A Cluster</u>			
Title I Grants to Local Educational Agencies	84.010	50,111	48,076
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	15,829	17,256
Total Title I, Part A Cluster		<u>65,940</u>	<u>65,332</u>
<u>Special Education Cluster</u>			
Special Education-Grants to States	84.027	114,533	114,533
Special Education-Preschool Grants	84.173	2,356	2,356
ARRA - Special Education-Grants to States, Recovery Act	84.391	29,218	30,585
ARRA - Special Education-Preschool Grants, Recovery Act	84.392	1,966	1,966
Total Special Education Cluster		<u>148,073</u>	<u>149,440</u>
Total U.S. Department of Education		<u>530,305</u>	<u>536,195</u>
Total Federal Awards Receipts and Expenditures		<u>\$617,383</u>	<u>\$623,273</u>

The accompanying notes are an integral part of this schedule.

**ARLINGTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Arlington Local School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Arlington Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2012, in which we noted the District implemented Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 20, 2012.

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

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

Dave Yost
Auditor of State

January 20, 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

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

To the Board of Education:

Compliance

We have audited the compliance of Arlington Local School District, Hancock County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Arlington Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

We noted a matter involving federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 20, 2012.

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



Dave Yost
Auditor of State

January 20, 2012

ARLINGTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**ARLINGTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Revised Code § 117.28, athletic season pass money that was collected but not accounted for and that was due and not collected.	Yes	

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

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 the Arlington Local School District (the 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.

We noted the Board amended its anti-harassment policy at its meeting on December 21, 2010 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

January 20, 2012



Dave Yost • Auditor of State

ARLINGTON LOCAL SCHOOL DISTRICT

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 2, 2012