

***ARCADIA LOCAL SCHOOL DISTRICT***

***HANCOCK COUNTY***

**Audit Report**

**For the Year Ended June 30, 2013**







# Dave Yost • Auditor of State

Board of Education  
Arcadia Local School District  
19033 State Route 12  
Arcadia, Ohio 44804

We have reviewed the *Independent Auditors' Report* of the Arcadia Local School District, Hancock County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Arcadia Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

April 1, 2014

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ARCADIA LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2013

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position.....	11
Statement of Activities.....	12
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	16
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual - General Fund.....	18
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	19
Notes to the Basic Financial Statements.....	20
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	43
Schedule of Prior Audit Findings.....	45
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	46

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **INDEPENDENT AUDITORS' REPORT**

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arcadia Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Arcadia Local School District, Hancock County, Ohio, as of June 30, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 3 to the financial statements, during the fiscal year 2013, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Charles E. Harris & Associates, Inc.**  
January 24, 2014

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Arcadia Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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The discussion and analysis of Arcadia Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

In total, net position increased \$348,673, or 6 percent.

General revenues accounted for 75 percent of total revenues and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted state entitlements.

### **Using the Basic Financial Statements**

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

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

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

### **Reporting the School District as a Whole**

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2013. 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 position and changes in net position. This change in net position 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.

Arcadia Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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

**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 position for fiscal year 2013 and fiscal year 2012:

Table 1 Net Position		Governmental Activities		
	2013	2012	Change	
<u>Assets:</u>				
Current and Other Assets	\$7,186,475	\$6,803,543	\$382,932	
Capital Assets, Net	1,704,950	1,652,537	52,413	
Total Assets	8,891,425	8,456,080	435,345	
 <u>Liabilities:</u>				
Current and Other Liabilities	663,430	616,041	(47,389)	
Long-Term Liabilities	394,031	370,118	(23,913)	
Total Liabilities	1,057,461	986,159	(71,302)	
 <u>Deferred Inflows of Resources:</u>	 1,858,668	 1,843,298	 (15,370)	

(continued)

Arcadia Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

Table 1  
Net Position  
(continued)

	Governmental Activities		
	2013	2012	Change
<u>Net Position:</u>			
Net Investment in Capital Assets	\$1,704,950	\$1,652,537	\$52,413
Restricted	326,097	383,836	(57,739)
Unrestricted	3,944,249	3,590,250	353,999
Total Net Position	<u>\$5,975,296</u>	<u>\$5,626,623</u>	<u>\$348,673</u>

Total assets increased 5 percent from the prior fiscal year. Within current and other assets, there was an increase in cash and cash equivalents of over \$381,000 due to a donation of almost \$100,000 for the Beeson Memorial project (athletic facilities) as well as the general excess of revenues over expenses in fiscal year 2013. Total liabilities increased 7 percent from the prior fiscal year. This was largely due to outstanding contracts payable at fiscal year end related to construction of the Beeson Memorial Athletic building.

Table 2 reflects the change in net position for fiscal year 2013 and fiscal year 2012.

Table 2  
Change in Net Position

	Governmental Activities		
	2013	2012	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$1,036,934	\$1,101,805	(\$64,871)
Operating Grants, Contributions, and Interest	470,909	561,360	(90,451)
Capital Grants and Contributions	99,919	0	99,919
Total Program Revenues	<u>1,607,762</u>	<u>1,663,165</u>	<u>(55,403)</u>
General Revenues			
Property Taxes Levied for General Purposes	2,185,000	2,200,712	(15,712)
Income Taxes Levied for General Purposes	727,995	768,322	(40,327)
Grants and Entitlements	1,982,872	1,989,209	(6,337)
Interest	9,373	9,810	(437)
Gifts and Donations	8,356	13,683	(5,327)
Miscellaneous	18,674	31,144	(12,470)
Total General Revenues	<u>4,932,270</u>	<u>5,012,880</u>	<u>(80,610)</u>
Total Revenues	<u>6,540,032</u>	<u>6,676,045</u>	<u>(136,013)</u>

(continued)

Arcadia Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

Table 2  
Change in Net Position  
(continued)

	Governmental Activities		
	2013	2012	Change
<u>Expenses</u>			
Instruction:			
Regular	\$2,805,209	\$2,618,110	(\$187,099)
Special	429,393	365,131	(64,262)
Vocational	267,877	329,176	61,299
Support Services:			
Pupils	248,970	231,981	(16,989)
Instructional Staff	205,756	206,564	808
Board of Education	24,887	24,262	(625)
Administration	548,361	631,383	83,022
Fiscal	189,544	194,324	4,780
Operation and Maintenance of Plant	563,941	514,404	(49,537)
Pupil Transportation	345,257	347,567	2,310
Central	4,000	3,970	(30)
Non-Instructional Services	266,384	303,064	36,680
Extracurricular Activities	291,780	248,336	(43,444)
Total Expenses	<u>6,191,359</u>	<u>6,018,272</u>	<u>(173,087)</u>
Increase in Net Position	348,673	657,773	(309,100)
Net Position at Beginning of Year	<u>5,626,623</u>	<u>4,968,850</u>	<u>657,773</u>
Net Position at End of Year	<u><u>\$5,975,296</u></u>	<u><u>\$5,626,623</u></u>	<u><u>348,673</u></u>

Overall, revenues changed little from the prior fiscal year with a modest 2 percent decrease; however, there were several notable changes. For program revenues, there was a decrease in charges for services due to a decrease in open enrollment. Operating grants, contributions, and interest decreased largely due to the expiration of the Education Jobs grant. The School District received donations of almost \$100,000 for the Beeson Memorial Athletic Building project reflected as capital grants and contributions. With the exception of income taxes, general revenues were very similar to the prior fiscal year. A sluggish economy continues to hamper income tax revenue.

Expenses also remained similar to the prior fiscal year with a change of less than 3 percent. Not surprisingly, the major expense is for instruction, which accounts for 57 percent of total expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 13 percent of total expenses. Maintenance of the School District's facilities also represents a significant expense, almost 9 percent.

Arcadia Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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	
	2013	2012	2013	2012
Instruction:				
Regular	\$2,805,209	\$2,618,110	\$2,065,811	\$1,668,440
Special	429,393	365,131	185,348	160,566
Vocational	267,877	329,176	248,656	309,955
Support Services:				
Pupils	248,970	231,981	137,299	114,276
Instructional Staff	205,756	206,564	205,756	206,564
Board of Education	24,887	24,262	24,887	24,262
Administration	548,361	631,383	548,361	631,383
Fiscal	189,544	194,324	189,544	194,324
Operation and Maintenance of Plant	563,941	514,404	563,941	514,404
Pupil Transportation	345,257	347,567	319,608	347,567
Central	4,000	3,970	4,000	3,970
Non-Instructional Services	266,384	303,064	(14,088)	5,065
Extracurricular Activities	291,780	248,336	104,474	174,331
Total Expenses	<u>\$6,191,359</u>	<u>\$6,018,272</u>	<u>\$4,583,597</u>	<u>\$4,355,107</u>

With the substantial contribution of general revenues for funding the School District's activities, only a limited number of activities are affected by program revenues. Approximately 26 percent of the costs for regular instruction are offset by program revenues, primarily from tuition and fees. The special instruction program also has approximately 57 percent of the costs offset by program revenues, primarily grants restricted for special instruction programs. For 2013, program revenues provided for the entire cost of the non-instructional services program. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. Extracurricular activities costs are supported by music and athletic fees, ticket sales, gate receipts at musical and athletic events.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund had an increase in fund balance from the prior fiscal year of \$287,969, or 7 percent. There was a 3 percent decrease in revenues (primarily tuition and fees), along with an increase of 5 percent in expenditures; however, revenues continued to exceed expenditures, which led to the increase in fund balance.

Arcadia Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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**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 2013, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget as well as 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, actual expenditures were almost 20 percent less than final budget amounts as savings were realized in almost all programs but most significantly in the operation and maintenance of plant program.

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2013, the School District had \$1,704,950 invested in capital assets (net of accumulated depreciation). Additions consisted of construction on the new athletic building, a new security system, and land improvements. The School District disposed of a bus during the fiscal year. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

For fiscal year 2013, long-term obligations consisted of compensated absences, in the amount of \$394,031. Compensated absences will be paid from the General Fund and the Food Service and Title I special revenue funds. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

**Current Issues**

In May 2009, the voters renewed a five-year 1 percent income tax levy to raise approximately \$786,000 annually. The renewal of this levy will be on the ballot May 6, 2014.

In March 2012, voters approved two emergency levies; a three-year levy which will generate approximately \$305,000 annually and a four-year levy which will generate approximately \$440,000 annually.

The School District accepts open enrollment of students from other school districts. During the 2012/2013 school year, one hundred thirty-four students from other school districts attended Arcadia Local School District under the open enrollment program while only thirty-six students left our School District to attend other schools.

Arcadia Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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**Contacting the School District's Financial Management**

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

Arcadia Local School District  
Statement of Net Position  
June 30, 2013

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,617,073
Accounts Receivable	7,088
Accrued Interest Receivable	225
Intergovernmental Receivable	39,141
Inventory Held for Resale	4,518
Materials and Supplies Inventory	13,181
Income Taxes Receivable	333,204
Property Taxes Receivable	2,172,045
Nondepreciable Capital Assets	114,075
Depreciable Capital Assets, Net	1,590,875
Total Assets	<u>8,891,425</u>
 <u>Liabilities:</u>	
Accounts Payable	60,622
Contracts Payable	61,384
Accrued Wages and Benefits Payable	401,545
Intergovernmental Payable	134,715
Retainage Payable	5,164
Long-Term Liabilities:	
Due Within One Year	5,744
Due in More Than One Year	388,287
Total Liabilities	<u>1,057,461</u>
 <u>Deferred Inflows of Resources:</u>	
Property Taxes	<u>1,858,668</u>
 <u>Net Position:</u>	
Net Investment in Capital Assets	1,704,950
Restricted For:	
Capital Projects	226,756
Other Purposes	99,341
Unrestricted	3,944,249
Total Net Position	<u><u>\$5,975,296</u></u>

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2013

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$2,805,209	\$695,338	\$44,060	\$0
Special	429,393	73,870	170,175	0
Vocational	267,877	0	19,221	0
Support Services:				
Pupils	248,970	0	111,671	0
Instructional Staff	205,756	0	0	0
Board of Education	24,887	0	0	0
Administration	548,361	0	0	0
Fiscal	189,544	0	0	0
Operation and Maintenance of Plant	563,941	0	0	0
Pupil Transportation	345,257	25,649	0	0
Central	4,000	0	0	0
Non-Instructional Services	266,384	161,479	118,993	0
Extracurricular Activities	291,780	80,598	6,789	99,919
Total Governmental Activities	<u>\$6,191,359</u>	<u>\$1,036,934</u>	<u>\$470,909</u>	<u>\$99,919</u>

General Revenues:

Property Taxes Levied for General Purposes  
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 Position

Net Position at Beginning of Year  
Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue  
and Change in Net Position  
 Governmental  
 Activities

(\$2,065,811)  
 (185,348)  
 (248,656)  
  
 (137,299)  
 (205,756)  
 (24,887)  
 (548,361)  
 (189,544)  
 (563,941)  
 (319,608)  
 (4,000)  
 14,088  
(104,474)  
(4,583,597)

2,185,000  
 727,995  
 1,982,872  
 9,373  
 8,356  
18,674  
4,932,270

348,673

5,626,623  
\$5,975,296

Arcadia Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2013

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,181,596	\$431,912	\$4,613,508
Accounts Receivable	7,088	0	7,088
Accrued Interest Receivable	225	0	225
Intergovernmental Receivable	13,846	25,295	39,141
Interfund Receivable	11,480	0	11,480
Inventory Held for Resale	0	4,518	4,518
Materials and Supplies Inventory	12,438	743	13,181
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	3,565	0	3,565
Income Taxes Receivable	333,204	0	333,204
Property Taxes Receivable	2,172,045	0	2,172,045
Total Assets	<u>\$6,735,487</u>	<u>\$462,468</u>	<u>\$7,197,955</u>
<u>Liabilities:</u>			
Accounts Payable	\$48,682	\$11,940	\$60,622
Contracts Payable	2,001	59,383	61,384
Accrued Wages and Benefits Payable	383,703	17,842	401,545
Intergovernmental Payable	131,019	3,696	134,715
Interfund Payable	0	11,480	11,480
Retainage Payable	0	5,164	5,164
Total Liabilities	<u>565,405</u>	<u>109,505</u>	<u>674,910</u>
<u>Deferred Inflows of Resources:</u>			
Property Taxes	1,858,668	0	1,858,668
Unavailable Revenue	107,290	7,323	114,613
Total Deferred Inflows of Resources	<u>1,965,958</u>	<u>7,323</u>	<u>1,973,281</u>
<u>Fund Balances:</u>			
Nonspendable	12,438	743	13,181
Restricted	3,565	349,127	352,692
Assigned	1,527,690	0	1,527,690
Unassigned (Deficit)	2,660,431	(4,230)	2,656,201
Total Fund Balances	<u>4,204,124</u>	<u>345,640</u>	<u>4,549,764</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$6,735,487</u>	<u>\$462,468</u>	<u>\$7,197,955</u>

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District  
 Reconciliation of Total Governmental Fund Balances  
 to Net Position of Governmental Activities  
 June 30, 2013

Total Governmental Fund Balances	\$4,549,764
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Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,704,950
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	4,884	
Intergovernmental Receivable	7,323	
Income Taxes Receivable	32,603	
Delinquent Property Taxes Receivable	69,803	
		114,613

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(394,031)
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Net Position of Governmental Activities	\$5,975,296
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See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2013

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$2,138,641	\$0	\$2,138,641
Income Taxes	743,960	0	743,960
Intergovernmental	2,118,114	341,303	2,459,417
Interest	9,061	348	9,409
Tuition and Fees	769,279	0	769,279
Extracurricular Activities	2,189	78,409	80,598
Charges for Services	25,649	161,479	187,128
Gifts and Donations	8,356	106,908	115,264
Miscellaneous	16,924	1,750	18,674
Total Revenues	<u>5,832,173</u>	<u>690,197</u>	<u>6,522,370</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,677,653	93,760	2,771,413
Special	373,571	56,129	429,700
Vocational	266,952	0	266,952
Support Services:			
Pupils	121,760	111,671	233,431
Instructional Staff	201,884	2,700	204,584
Board of Education	24,887	0	24,887
Administration	542,923	0	542,923
Fiscal	188,775	0	188,775
Operation and Maintenance of Plant	634,254	280	634,534
Pupil Transportation	317,756	0	317,756
Central	4,000	0	4,000
Non-Instructional Services	0	255,340	255,340
Extracurricular Activities	182,141	155,775	337,916
Capital Outlay	7,648	0	7,648
Total Expenditures	<u>5,544,204</u>	<u>675,655</u>	<u>6,219,859</u>
Changes in Fund Balances	287,969	14,542	302,511
Fund Balances at Beginning of Year	3,916,155	331,098	4,247,253
Fund Balances at End of Year	<u>\$4,204,124</u>	<u>\$345,640</u>	<u>\$4,549,764</u>

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District  
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
 of Governmental Funds to Statement of Activities  
 For the Fiscal Year Ended June 30, 2013

Changes in Fund Balances - Total Governmental Funds \$302,511

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

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

Capital Outlay - Nondepreciable Capital Assets	86,665	
Capital Outlay - Depreciable Capital Assets	65,762	
Depreciation	(100,014)	
	52,413	52,413

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

Delinquent Property Taxes	46,359	
Income Taxes	(15,965)	
Intergovernmental	(12,661)	
Tuition and Fees	(71)	
	17,662	17,662

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. (23,913)

Change in Net Position of Governmental Activities \$348,673

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$2,123,500	\$2,123,500	\$2,148,283	\$24,783
Income Taxes	620,000	620,000	754,044	134,044
Intergovernmental	2,501,501	2,499,515	2,112,148	(387,367)
Interest	11,500	11,500	9,002	(2,498)
Tuition and Fees	649,500	649,500	769,354	119,854
Extracurricular Activities	7,000	7,000	2,189	(4,811)
Charges for Services	0	0	25,649	25,649
Gifts and Donations	15,200	15,000	8,356	(6,644)
Miscellaneous	26,800	26,800	8,597	(18,203)
Total Revenues	<u>5,955,001</u>	<u>5,952,815</u>	<u>5,837,622</u>	<u>(115,193)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,877,448	2,897,448	2,696,520	200,928
Special	503,155	503,155	377,120	126,035
Vocational	385,051	385,051	285,774	99,277
Support Services:				
Pupils	125,399	127,399	122,148	5,251
Instructional Staff	209,478	209,478	203,027	6,451
Board of Education	67,968	45,968	28,601	17,367
Administration	657,954	657,954	563,370	94,584
Fiscal	237,730	236,230	208,101	28,129
Operation and Maintenance of Plant	1,317,707	1,317,707	690,244	627,463
Pupil Transportation	426,820	426,820	318,227	108,593
Central	4,000	4,000	4,000	0
Extracurricular Activities	243,304	243,304	182,332	60,972
Capital Outlay	26,000	26,000	7,624	18,376
Total Expenditures	<u>7,082,014</u>	<u>7,080,514</u>	<u>5,687,088</u>	<u>1,393,426</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,127,013)</u>	<u>(1,127,699)</u>	<u>150,534</u>	<u>1,278,233</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	2,500	2,500	21	(2,479)
Refund of Prior Year Receipts	(300)	(1,800)	(1,750)	50
Total Other Financing Sources (Uses)	<u>2,200</u>	<u>700</u>	<u>(1,729)</u>	<u>(2,429)</u>
Changes in Fund Balance	(1,124,813)	(1,126,999)	148,805	1,275,804
Fund Balance at Beginning of Year	3,843,265	3,843,265	3,843,265	0
Prior Year Encumbrances Appropriated	77,694	77,694	77,694	0
Fund Balance at End of Year	<u>\$2,796,146</u>	<u>\$2,793,960</u>	<u>\$4,069,764</u>	<u>\$1,275,804</u>

See Accompanying Notes to the Basic Financial Statements

Arcadia Local School District  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2013

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$64,734</u></u>
 <u>Liabilities:</u>	
Undistributed Assets	\$1,068
Due to Students	<u>63,666</u>
Total Liabilities	<u><u>\$64,734</u></u>

See Accompanying Notes to the Basic Financial Statements

**Note 1 - Description of the School District and Reporting Entity**

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

The School District was established in 1937. The School District serves an area of approximately sixty-one square miles. It is located in Hancock and Seneca Counties. The School District is the 579<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-four classified employees, forty certified teaching personnel, and five administrative employees who provide services to six hundred six students and other community members. The School District currently operates an elementary/middle/high school.

**Reporting Entity**

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

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

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Hancock County Schools Health Benefit Fund, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The basic financial statements of Arcadia Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District’s accounting policies.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position 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 position 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 position 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 reported in two categories, governmental and fiduciary.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**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 and deferred inflows of resources is reported as fund balance. The School District's only major governmental fund is the General Fund.

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2013. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various non-instructional staff-related and student-managed activities.

**C. Measurement Focus**

**Government-Wide Financial Statements**

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

**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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**D. Basis of Accounting**

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

**Revenues - Exchange and Nonexchange Transactions**

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

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 Outflows/Inflows of Resources**

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The School District did not report any deferred outflows of resources for fiscal year 2013.

**Note 2 - Summary of Significant Accounting Policies** (continued)

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources consists of property taxes and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes intergovernmental revenue including grants, income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

**Expenses/Expenditures**

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

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

**E. Budgetary Process**

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

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

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 2013, investments were limited to STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s net asset value per share, which is the price the investment could be sold for on June 30, 2013.

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 2013 was \$9,061.

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. Inventory**

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

**H. 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. Restricted assets in the General Fund consists of unexpended revenues restricted for the purchase of school buses.

**I. 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 position but are not reported on the fund financial statements.

**Note 2 - Summary of Significant Accounting Policies** (continued)

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 and construction in progress, 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:

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

**J. Interfund Assets/Liabilities**

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

**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 ten years of service.

**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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**M. Net Position**

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants.

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

**O. 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. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

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.

**P. Estimates**

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

**Note 3 - Change in Accounting Principles**

For fiscal year 2013, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 61, "The Financial Reporting Entity: Omnibus", "Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 65, "Items Previously Reported as Assets and Liabilities", and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements which are a type of public-public or public-private partnership. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and the financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets or liabilities as inflows of resources (revenues) or outflows of resources (expenses or expenditures). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

**Note 3 - Change in Accounting Principles** (continued)

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and, thereby, enhance the usefulness of the financial reports. The implementation of this statement did not result in any change to the School District's financial statements.

**Note 4 - Accountability**

At June 30, 2013, the Title II-A special revenue fund had a deficit fund balance, in the amount of \$4,230, 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).

Arcadia Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**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	\$287,969
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2012, Received in Cash FY 2013	564,142
Accrued FY 2013, Not Yet Received in Cash	(560,450)
Expenditure Accruals:	
Accrued FY 2012, Paid in Cash FY 2013	(580,509)
Accrued FY 2013, Not Yet Paid in Cash	565,405
Unrecorded Cash Activity 2012	1,778
Prepaid Items	(2,653)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(126,877)
Budget Basis	\$148,805

**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.

**Note 6 - Deposits and Investments** (continued)

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

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

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

**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, \$4,183,453 of the School District's bank balance of \$4,934,504 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.

Arcadia Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Note 6 - Deposits and Investments** (continued)

**Investments**

As of June 30, 2013, the fair value of funds on deposit with STAR Ohio was \$14,034. The School District's investment in STAR Ohio had an average maturity of 57.5 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Note 7 - Receivables**

Receivables at June 30, 2013, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, interfund, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	
Education Jobs	\$13,846
Other Governmental Funds	
IDEA Part-B	10,892
Title I	12,915
Early Childhood Special Education	276
Title II-A	624
Rural Education Achievement Program	588
Total Intergovernmental Receivables	<u><u>\$39,141</u></u>

**Note 8 - Income Taxes**

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005, for ten years. 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.

Arcadia Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Note 9 - Property Taxes** (continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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.

The School District receives property taxes from Hancock and Seneca Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2013, 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 inflows of resources - property taxes.

The amount available as an advance at June 30, 2013, was \$243,574 in the General Fund. The amount available as an advance at June 30, 2012, was \$253,216 in the General Fund.

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

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$62,000,920	77.65%	\$62,292,260	75.67%
Industrial/Commercial	7,912,390	9.91	7,923,190	9.62
Public Utility	9,931,440	12.44	12,113,650	14.71
Total Assessed Value	<u>\$79,844,750</u>	<u>100%</u>	<u>\$82,329,100</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$32.35		\$31.67	

Arcadia Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$27,410	\$0	\$0	\$27,410
Construction in Progress	0	86,665	0	86,665
Total Nondepreciable Capital Assets	<u>27,410</u>	<u>86,665</u>	<u>0</u>	<u>114,075</u>
Depreciable Capital Assets				
Land Improvements	177,064	26,295	0	203,359
Buildings and Building Improvements	1,262,056	22,630	0	1,284,686
Furniture, Fixtures, and Equipment	808,040	16,837	0	824,877
Vehicles	730,062	0	(47,557)	682,505
Total Depreciable Capital Assets	<u>2,977,222</u>	<u>65,762</u>	<u>(47,557)</u>	<u>2,995,427</u>
Less Accumulated Depreciation				
Land Improvements	(47,410)	(4,782)	0	(52,192)
Buildings and Building Improvements	(495,337)	(25,761)	0	(521,098)
Furniture, Fixtures, and Equipment	(490,573)	(35,857)	0	(526,430)
Vehicles	(318,775)	(33,614)	47,557	(304,832)
Total Accumulated Depreciation	<u>(1,352,095)</u>	<u>(100,014)</u>	<u>47,557</u>	<u>(1,404,552)</u>
Depreciable Capital Assets, Net	<u>1,625,127</u>	<u>(34,252)</u>	<u>0</u>	<u>1,590,875</u>
Governmental Activities Capital Assets, Net	<u>\$1,652,537</u>	<u>\$52,413</u>	<u>\$0</u>	<u>\$1,704,950</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$13,288
Special	288
Vocational	925
Support Services:	
Pupils	698
Instructional Staff	488
Administration	1,122
Fiscal	1,286
Operation and Maintenance of Plant	19,301
Pupil Transportation	33,938
Non-Instructional Services	10,269
Extracurricular Activities	18,411
Total Depreciation Expense	<u>\$100,014</u>

**Note 11 - Interfund Assets/Liabilities**

At June 30, 2013, the General Fund had an interfund receivable, in the amount of \$11,480, from other governmental funds to alleviate deficit cash balances. Amounts are expected to be repaid within one year.

**Note 12 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted for the following insurance coverage:

Coverage provided by Liberty Mutual Insurance is as follows:

Building and Contents	\$17,163,717
General School District Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Automobile Liability	1,000,000
Umbrella Liability	4,000,000

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

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

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Note 13 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

Plan Description - The School District 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](http://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. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, 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.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$312,903 and \$6,617 for the fiscal year ended June 30, 2013, \$300,010 and \$6,270 for the fiscal year ended June 30, 2012, and \$311,495 and \$6,187 for the fiscal year ended June 30, 2011. For fiscal year 2012, 83 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 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 was \$866 made by the School District and \$618 made by the plan members. In addition, member contributions of \$4,726 were made for fiscal year 2013 for the defined contribution portion of the CP.

**Note 13 - Defined Benefit Pension Plans** (continued)

**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](http://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, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining .9 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, 2013, 2012, and 2011 was \$74,169, \$78,349, and \$70,694, respectively. For fiscal year 2013, 44 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**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, 2013, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 14 - Postemployment Benefits**

**A. State Teachers Retirement System**

Plan Description - The School District 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](http://www.strsoh.org).

**Note 14 - 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 2013, 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, 2013, 2012, and 2011 was \$24,645, \$24,122, and \$25,004, respectively. For fiscal year 2013, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**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, Medicare Advantage, 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](http://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 2013, .16 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 2013, this amount was \$20,525. For fiscal year 2013, the School District paid \$11,917 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, 2013, 2012, and 2011 was \$906, \$3,393, and \$8,560, respectively. For fiscal year 2013, 44 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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 2013, this actuarially required allocation was .74 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$4,190, \$4,627, and \$4,549, respectively. For fiscal year 2013, 44 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Arcadia Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Note 15 - Other Employee Benefits**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

**Note 16 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13	Amounts Due Within One Year
Governmental Activities					
Compensated Absences Payable	\$370,118	\$65,229	\$41,316	\$394,031	\$5,744
	\$370,118	\$65,229	\$41,316	\$394,031	\$5,744

Compensated absences will be paid from the General Fund and the Food Service and Title I special revenue funds.

The School District's overall debt margin was \$6,340,556 with an unvoted debt margin of \$70,451 at June 30, 2013.

**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 acquisition and construction of capital improvements. The amount 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. This amount must be carried forward and used for the same purpose in future fiscal years.

Arcadia Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Note 17 - Set Asides** (continued)

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2013.

	Capital Improvements
Balance June 30, 2012	\$57,945
Current Year Set Aside Requirement	101,484
Qualifying Expenditures	(159,429)
Reserve Balance June 30, 2013	\$0

**Note 18 - 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:			
Materials and Supplies			
Inventory	\$12,438	\$743	\$13,181
Restricted for:			
Athletics and Music	0	48,121	48,121
Bus Purchase	3,565	0	3,565
Capital Improvements	0	226,756	226,756
Emergency Management			
Information Systems	0	12,625	12,625
Facilities Maintenance	0	651	651
Food Service Operations	0	30,775	30,775
Inventory Held for Resale	0	4,518	4,518
Regular Instruction	0	1,069	1,069
Remedial Reading	0	15,561	15,561
Special Needs Children	0	3,651	3,651
Technology Improvement	0	5,400	5,400
Total Restricted	3,565	349,127	352,692
Assigned for:			
Educational Activities	14,495	0	14,495
Projected Budget Shortage	1,412,150	0	1,412,150
Unpaid Obligations	101,045	0	101,045
Total Assigned	1,527,690	0	1,527,690
Unassigned (Deficit)	2,660,431	(4,230)	2,656,201
Total Fund Balance	\$4,204,124	\$345,640	\$4,549,764

**Note 19 - 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 2013, the School District paid \$18,962 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, 7746 County Road 140, Findlay, Ohio 45840.

**D. Northwestern Ohio Educational Research Council, Inc.**

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

**Note 20 - Insurance Pools**

**A. Hancock County Schools Health Benefit Fund**

The Hancock County Schools Health Benefit 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 Plan is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to the employees of the participants. Each participants' superintendent is appointed to an Administrative Committee which advises the consultant concerning aspects of the administration of the Plan.

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 Neace Lukens, 285 Cozzins Street, Columbus, Ohio 43215.

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

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

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

**Note 21 - 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, 2013.

**B. Litigation**

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

Rockefeller Building  
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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arcadia Local School District, Hancock County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 24, 2014, wherein we noted the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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 24, 2014.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
January 24, 2014

**ARCADIA LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY  
JUNE 30, 2013**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending June 30, 2012, reported no material citations or recommendations.

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*Certified Public Accountants*

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**Independent Accountants' Report on Applying Agreed-Upon Procedures**

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

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 Arcadia 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.

1. We noted the Board amended its anti-harassment policy at its meeting on August 15, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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.

*Charles Harris Associates*

***Charles E. Harris & Associates, Inc.***  
January 24, 2014



# Dave Yost • Auditor of State

**ARCADIA LOCAL SCHOOL DISTRICT**

**HANCOCK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 15, 2014**