



Dave Yost • Auditor of State

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

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DARKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

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 Arcanum-Butler Local School District, Darke County, Ohio (the School District), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the School 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 the cash accounting basis Note 2 C. describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 School 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 School 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Arcanum-Butler Local School District, Darke County, Ohio, as of June 30, 2014 and 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2 C.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 C. of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis for fiscal years 2014 and 2013 includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 4, 2014

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**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
UNAUDITED**

This discussion and analysis of the Arcanum-Butler Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal years ended June 30, 2014 and 2013, within the limitations of the School District's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2014 are as follows:

- Net position increased \$847,456.
- General receipts accounted for \$10,230,740 in receipts or 83 percent of all receipts. Program specific cash receipts in the form of charges for services, grants, contributions, and interest accounted for \$2,165,890, or 17 percent of total receipts.
- The School District had \$11,549,174 in disbursements related to governmental activities; only \$2,165,890 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General receipts of \$10,230,740 were used to help fund some of these disbursements.
- The General Fund had an increase in fund balance of \$837,060 during fiscal year 2014. The Bond Retirement Fund had an increase in fund balance of \$84,077. The Classroom Facilities Fund had a decrease in fund balance of \$140,224 during fiscal year 2014.

Key highlights for fiscal year 2013 are as follows:

- Net position decreased \$296,635.
- General receipts accounted for \$9,343,212 in receipts or 81 percent of all receipts. Program specific cash receipts in the form of charges for services, grants, contributions, and interest accounted for \$2,123,559, or 19 percent of total receipts.
- The School District had \$11,763,406 in disbursements related to governmental activities; only \$2,123,559 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General receipts of \$9,343,212 were used to help fund some of these disbursements.
- The General Fund had a decrease in fund balance of \$138,436 during fiscal year 2013. The Classroom Facilities Fund had a decrease in fund balance of \$61,453 during fiscal year 2013.

Using the Basic Financial Statements

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

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Report Components

The statement of net position – cash basis and the statement of activities – cash basis provide information about the cash activities of the School District as a whole.

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the School District as a Whole

The statement of net position – cash basis and the statement of activities – cash basis reflect how the School District did financially during fiscal years 2014 and 2013, within the limitations of cash basis accounting. The statement of net position – cash basis presents the cash balances of the School District at fiscal year-end. The statement of activities – cash basis compares cash disbursements with program receipts for the School District's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the program.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors such as the condition of the School District's capital assets and the reliance on non-local financial resources for operations. In the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation of non-instructional services and extracurricular activities. The School District does not have any business-type activities.

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DARKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Reporting the School District's Most Significant Funds

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

Governmental Funds

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for 2014 compared to 2013 compared to 2012 on a cash basis:

Table 1			
Net Position			
	2014	2013	2012
Assets:			
Total Assets	\$5,515,901	\$4,668,445	\$4,965,080
Net Position:			
Restricted for:			
Debt Service	\$642,497	\$558,420	\$463,982
Capital Outlay	846,151	1,005,064	1,336,167
Set-Asides	2,250	53,372	57,333
Other Purposes	543,036	467,372	407,465
Unrestricted	3,481,967	2,584,217	2,700,133
Total Net Position	\$5,515,901	\$4,668,445	\$4,965,080

Fiscal Year 2014:

Total net position increased \$847,456. Net position restricted for debt service increased due to gross property tax collections increasing at a rate greater than the bond retirement payments. Net position restricted for capital outlay decreased due to payment of construction expenses from the classroom facilities monies. Net position restricted for other purposes increased due to the revenue being recorded in the classroom maintenance fund with minimal annual expenditures in the same fund. Unrestricted net position increased due to an increase in the cash balance of the general fund from increased income tax receipts and foundation revenue, and stable disbursements.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Fiscal Year 2013:

Total net position decreased \$296,635. Net position restricted for debt service increased due to gross property tax collections increasing at a rate greater than the bond retirement payments. Net position restricted for capital outlay decreased due to payment of construction expenses from the classroom facilities monies. Net position restricted for other purposes increased due to the revenue being recorded in the classroom maintenance fund with minimal annual expenditures in the same fund.

Table 2 reflects the changes in net position in fiscal year 2014, and a comparative balance to fiscal years 2013 and 2012.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:			
Program Revenues:			
Charges for Services	\$1,580,878	\$1,568,091	\$1,446,592
Operating Grants, Contributions and Interest	579,443	550,634	741,820
Capital Grants and Contributions	5,569	4,834	33,962
Total Program Revenues	<u>2,165,890</u>	<u>2,123,559</u>	<u>2,222,374</u>
General Revenues:			
Property Taxes	2,809,721	2,829,532	2,746,894
Income Tax	2,140,162	1,687,211	1,690,624
Grants and Entitlements	5,225,142	4,778,691	4,708,024
Investment Earnings	18,880	14,795	19,403
Loss on Sale of Investments			(66,132)
Miscellaneous	36,835	32,983	117,999
Total General Revenues	<u>10,230,740</u>	<u>9,343,212</u>	<u>9,216,812</u>
Total Revenues	<u>12,396,630</u>	<u>11,466,771</u>	<u>11,439,186</u>
Program Expenses:			
Instruction:			
Regular	5,151,427	5,156,038	5,076,629
Special	1,176,579	1,211,316	990,168
Vocational	82,010	83,056	84,009
Other	60,634	56,247	44,145
Support Services:			
Pupils	293,305	254,704	416,831
Instructional Staff	563,602	520,089	450,564
Board of Education	70,217	58,952	95,533
Administration	754,055	730,807	705,545
Fiscal	268,709	271,462	263,220
Operation and Maintenance of Plant	847,496	799,351	850,414
Pupil Transportation	587,639	564,181	512,588
Central	1,642	818	1,298
Operation of Non-Instructional Services	278,112	280,411	295,408
Extracurricular Activities	385,991	416,423	364,181
Capital Outlay	222,547	564,120	2,641,096
Refund of Prior Year Receipts	4,084		
Principal Retirement	305,000	290,000	270,000
Interest and Fiscal Charges	496,125	505,431	513,831
Total Expenses	<u>11,549,174</u>	<u>11,763,406</u>	<u>13,575,460</u>
Increase (Decrease) in Net Position	847,456	(296,635)	(2,136,274)
Net Position – Beginning of Year	4,668,445	4,965,080	7,101,354
Net Position – End of Year	<u>\$5,515,901</u>	<u>\$4,668,445</u>	<u>\$4,965,080</u>

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities

Fiscal Year 2014:

The largest source of receipts for governmental activities were unrestricted grants and entitlements, which accounted for 42 percent of all receipts. Property and income taxes accounted for about 40 percent of all receipts. Income taxes increased due to a one-time receipt in October 2013. Charges for services, which are mostly tuition and fees and lunchroom charges, were about 13 percent of total receipts. Operating and capital grants and contributions accounted for about 5 percent of all receipts.

Instruction accounted for approximately 56 percent of total cash disbursements, with Regular Instruction making up the largest share at about 45 percent of total disbursements. Pupil and Instructional Staff support services accounted for about 7 percent of total disbursements. Board of Education, Administration, and Fiscal disbursements accounted for another 9 percent of disbursements. Operation and maintenance of plant disbursements accounted for 7 percent of total disbursements. Pupil transportation accounted for about 5 percent of disbursements. Capital outlay decreased due to less money being expended for the new school building construction costs during fiscal year 2014 as compared to 2013.

Fiscal Year 2013:

The largest source of receipts for governmental activities were unrestricted grants and entitlements, which accounted for 42 percent of all receipts. Property and income taxes accounted for about 39 percent of all receipts. Charges for services, which are mostly tuition and fees and lunchroom charges, were about 14 percent of total receipts. Charges for services receipts increased mostly due to an increase in open enrollment during fiscal year 2013. Operating and capital grants and contributions accounted for about 5 percent of all receipts. Operating grants and contributions decreased due to the cessation of the Education Jobs grant.

Instruction accounted for approximately 55 percent of total cash disbursements, with Regular Instruction making up the largest share at about 44 percent of total disbursements. Pupil and Instructional Staff support services accounted for about 7 percent of total disbursements. Board of Education, Administration, and Fiscal disbursements accounted for another 9 percent of disbursements. Operation and maintenance of plant disbursements accounted for 7 percent of total disbursements. Capital outlay disbursements accounted for about 5 percent of total disbursements. Capital outlay decreased due to less money being expended for the new school building construction costs during fiscal year 2013 as compared to 2012.

Statement of Activities – Cash Basis

If you look at the Statement of Activities – Cash Basis for fiscal year 2014 and 2013 on pages 14 and 21 respectively, you will see that the first column lists the major activities of the School District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the School District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, restricted State entitlements and investment earnings. A comparative analysis between fiscal years 2014 to 2013 and between fiscal years 2013 to 2012 are also presented.

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DARKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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**Table 3
Governmental Activities – Fiscal years 2014 and 2013**

Instruction:	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Regular	\$5,151,427	\$4,013,984	\$5,156,038	\$4,098,092
Special	1,176,579	819,712	1,211,316	697,567
Vocational	82,010	63,518	83,056	56,981
Other	60,634	60,634	56,247	56,247
Support Services:				
Pupils	293,305	293,305	254,704	254,704
Instructional Staff	563,602	383,904	520,089	467,493
Board of Education	70,217	70,217	58,952	58,952
Administration	754,055	754,055	730,807	730,807
Fiscal	268,709	268,709	271,462	271,462
Operation and Maintenance of Plant	847,496	847,496	799,351	799,351
Pupil Transportation	587,639	587,639	564,181	564,181
Central	1,642	1,642	818	818
Operation of Non-Instructional Svcs.	278,112	(19,052)	280,411	(14,066)
Extracurricular Activities	385,991	215,334	416,423	242,541
Capital Outlay	222,547	216,978	564,120	559,286
Refund of Prior Year Receipts	4,084	4,084		
Principal Retirement	305,000	305,000	290,000	290,000
Interest and Fiscal Charges	496,125	496,125	505,431	505,431
Total Expenses	\$11,549,174	\$9,383,284	\$11,763,406	\$9,639,847

Charges for services and operating and capital grants of about 17 percent of total cash receipts were received and used to fund the expenses of the School District. The remaining 83 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The School District relies on these receipts to furnish the services it provides to students.

**Table 3
Governmental Activities – Fiscal Years 2013 and 2012**

Instruction:	Total Cost Of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Regular	\$5,156,038	\$4,098,092	\$5,076,629	\$4,042,240
Special	1,211,316	697,567	990,168	769,434
Vocational	83,056	56,981	84,009	64,544
Other	56,247	56,247	44,145	44,145
Support Services:				
Pupils	254,704	254,704	416,831	257,656
Instructional Staff	520,089	467,493	450,564	403,869
Board of Education	58,952	58,952	95,533	95,533
Administration	730,807	730,807	705,545	705,545
Fiscal	271,462	271,462	263,220	263,220
Operation and Maintenance of Plant	799,351	799,351	850,414	850,414
Pupil Transportation	564,181	564,181	512,588	512,588
Central	818	818	1,298	1,298
Operation of Non-Instructional Svcs.	280,411	(14,066)	295,408	(29,042)
Extracurricular Activities	416,423	242,541	364,181	192,912
Capital Outlay	564,120	559,286	2,641,096	2,394,899
Principal Retirement	290,000	290,000	270,000	270,000
Interest and Fiscal Charges	505,431	505,431	513,831	513,831
Total Expenses	\$11,763,406	\$9,639,847	\$13,575,460	\$11,353,086

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Charges for services and operating and capital grants of about 19 percent of total cash receipts were received and used to fund the expenses of the School District. The remaining 81 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The School District relies on these receipts to furnish the services it provides to students.

The School District's Funds

Information about the School District's major governmental funds begins on page 15 for fiscal year 2014 and page 22 for fiscal year 2013. The School District's major funds are the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund.

Fiscal Year 2014:

All of the governmental funds had total receipts and other financing sources (excluding advances) of \$12,396,630 and total disbursements and other financing uses (excluding advances) of \$11,549,174. At the end of fiscal year 2014, unassigned fund balance of the General Fund was \$2,723,913. The greatest change within the funds occurred in the General Fund, which had an increase in fund balance of \$837,060 due to an increase in income tax receipts and an increase in school foundation payments, and stable disbursements. Income tax receipts are expected to be lower in fiscal year 2015. In October 2013, the School District received a one-time income tax payment which resulted in approximately a \$360,000 increase in the October disbursement. Additionally, the increase in school foundation payments is due to increased enrollment and changes in the Ohio school funding formula.

Fiscal Year 2013:

All of the governmental funds had total receipts and other financing sources (excluding transfers and advances) of \$11,466,771 and total disbursements and other financing uses (excluding transfers and advances) of \$11,763,406. At the end of fiscal year 2013, unassigned fund balance of the General Fund was \$2,175,032. The greatest change within the funds occurred in the General Fund, which had a decrease in fund balance of \$138,436, due to increased capital outlay associated with the completion of the field-house project and the Good Samaritan North baseball and softball fields.

Major Funds Budgeting Highlights

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

Fiscal Year 2014:

The General Fund had original appropriations of \$9,780,577 and final appropriations of \$9,810,920. Actual expenditures plus encumbrances were \$9,794,812. Original estimated receipts were \$9,794,501 and final estimated receipts were \$10,443,452. Actual receipts for fiscal year 2014 were \$10,445,765.

Fiscal Year 2013:

The General Fund had original appropriations of \$9,780,889 and final appropriations of \$9,830,660. Actual expenditures plus encumbrances were \$9,830,658. Original estimated receipts were \$8,919,000 and final estimated receipts were \$9,545,404. Actual receipts for fiscal year 2013 were \$9,545,277.

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Capital Assets

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

Debt

At June 30, 2013, the School District had \$11,939,994 outstanding in general obligation bonds. These bonds are being paid through the Bond Retirement Fund with property tax revenue. During fiscal year 2014, the School District paid \$305,000 in principal on the bonds, so the balance of the bonds at June 30, 2014 was \$11,634,994. For more information on the School District's debt, see Note 15 of the notes to the basic financial statements.

At June 30, 2012, the School District had \$12,229,994 outstanding in general obligation bonds. These bonds are being paid through the Bond Retirement Fund with property tax revenue. During fiscal year 2013, the School District paid \$290,000 in principal on the bonds, so the balance of the bonds at June 30, 2013 was \$11,939,994. For more information on the School District's debt, see Note 15 of the notes to the basic financial statements.

Current Financial Issues and Concerns

The School District renewed a five-year 0.75 percent income tax levy on November 2, 2010. Continued renewal of the levy is essential to the financial health of the School District. The additional 0.75 percent income tax is set to expire on December 31, 2015 if the levy is not renewed prior to this date.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens 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 Matt Huffman, Treasurer, Arcanum-Butler Local School District, 2011 Trojan Avenue, Arcanum, OH 45304.

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

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$5,514,110
Cash and Cash Equivalents with Fiscal Agent	1,791
Total Assets	5,515,901
 Net Position:	
Restricted for:	
Debt Service	642,497
Capital Outlay	846,151
Set-Asides	2,250
Other Purposes	543,036
Unrestricted	3,481,967
Total Net Position	\$5,515,901

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental Activities:				Governmental Activities
Instruction:				
Regular	\$5,151,427	\$1,110,381	\$27,062	(\$4,013,984)
Special	1,176,579	171,321	185,546	(819,712)
Vocational	82,010		18,492	(63,518)
Other	60,634			(60,634)
Support Services:				
Pupil	293,305			(293,305)
Instructional Staff	563,602		179,698	(383,904)
Board of Education	70,217			(70,217)
Administration	754,055			(754,055)
Fiscal	268,709			(268,709)
Operation and Maintenance of Plant	847,496			(847,496)
Pupil Transportation	587,639			(587,639)
Central	1,642			(1,642)
Operation of Non-Instructional Services	278,112	154,048	143,116	19,052
Extracurricular Activities	385,991	145,128	25,529	(215,334)
Capital Outlay	222,547			(216,978)
Refund of Prior Year Receipt	4,084			(4,084)
Principal Retirement	305,000			(305,000)
Interest and Fiscal Charges	496,125			(496,125)
Totals	\$11,549,174	\$1,580,878	\$579,443	\$5,569
				(\$9,383,284)
General Receipts:				
Property Taxes Levied for General Purposes				1,990,887
Property Taxes Levied for Debt Service				773,573
Property Taxes Levied for Capital Maintenance				45,261
Income Taxes				2,140,162
Grants and Entitlements not Restricted to Specific Programs				5,225,142
Investment Earnings				18,880
Miscellaneous				36,835
Total General Receipts				10,230,740
Change in Net Position				847,456
Net Position Beginning of Year				4,668,445
Net Position End of Year				\$5,515,901

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$3,373,402	\$642,497	\$845,150	\$650,812	\$5,511,861
Cash and Cash Equivalents with Fiscal Agent				1,790	1,790
Restricted Asset:					
Equity in Pooled Cash and Cash Equivalents	2,250				2,250
Total Assets	<u>3,375,652</u>	<u>642,497</u>	<u>845,150</u>	<u>652,602</u>	<u>5,515,901</u>
Fund Balances:					
Restricted	2,250	642,497	845,150	544,133	2,034,030
Committed				108,565	108,565
Assigned	649,489				649,489
Unassigned	2,723,913			(96)	2,723,817
Total Fund Balances	<u>\$3,375,652</u>	<u>\$642,497</u>	<u>\$845,150</u>	<u>\$652,602</u>	<u>\$5,515,901</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property Taxes	\$1,990,887	\$773,573		\$45,261	\$2,809,721
Income Tax	2,140,162				2,140,162
Intergovernmental	5,083,841	131,710		563,501	5,779,052
Interest	18,880		\$3,985	1,588	24,453
Tuition and Fees	1,139,366			120,736	1,260,102
Customer Sales and Service				154,048	154,048
Extracurricular Activities	21,600			144,728	166,328
Contributions and Donations	18,068			15,529	33,597
Miscellaneous	22,548				22,548
Total Receipts	<u>10,435,352</u>	<u>905,283</u>	<u>3,985</u>	<u>1,045,391</u>	<u>12,390,011</u>
Disbursements:					
Current:					
Instruction:					
Regular	5,013,586			137,841	5,151,427
Special	862,293			314,286	1,176,579
Vocational	81,510			500	82,010
Other	60,634				60,634
Support Services:					
Pupil	293,305				293,305
Instructional Staff	535,128			28,474	563,602
Board of Education	70,217				70,217
Administration	753,166	840		49	754,055
Fiscal	248,344	19,241		1,124	268,709
Operation and Maintenance of Plant	846,598			898	847,496
Pupil Transportation	587,639				587,639
Central	1,642				1,642
Operation of Non-instructional Activities	98			278,014	278,112
Extracurricular Activities	222,064			163,927	385,991
Capital Outlay	58,065		144,209	20,273	222,547
Principal		305,000			305,000
Interest		496,125			496,125
Total Disbursements	<u>9,634,289</u>	<u>821,206</u>	<u>144,209</u>	<u>945,386</u>	<u>11,545,090</u>
Excess of Receipts Over (Under) Disbursements	<u>801,063</u>	<u>84,077</u>	<u>(140,224)</u>	<u>100,005</u>	<u>844,921</u>
Other Financing Sources (Uses):					
Advances In	33,862				33,862
Advances Out				(33,862)	(33,862)
Refund of Prior Year Expenditures	6,219			400	6,619
Refund of Prior Year Receipts	(4,084)				(4,084)
Total Other Financing Sources(Uses)	<u>35,997</u>			<u>(33,462)</u>	<u>2,535</u>
Net Change in Fund Balances	837,060	84,077	(140,224)	66,543	847,456
Fund Balances Beginning of Year	<u>2,538,592</u>	<u>558,420</u>	<u>985,374</u>	<u>586,059</u>	<u>4,668,445</u>
Fund Balances End of Year	<u>\$3,375,652</u>	<u>\$642,497</u>	<u>\$845,150</u>	<u>\$652,602</u>	<u>\$5,515,901</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Receipts:				
Property Taxes	\$1,866,761	\$2,002,500	\$1,990,887	(\$11,613)
Income Taxes	2,006,729	2,140,162	2,140,162	
Intergovernmental	4,766,877	5,057,102	5,083,841	26,739
Tuition and Fees	1,068,330	1,160,188	1,139,366	(20,822)
Interest	17,703	15,500	18,880	3,380
Gifts and Donations	9,377	10,000	10,000	
Miscellaneous	21,142	18,000	22,548	4,548
Total Revenues	<u>9,756,919</u>	<u>10,403,452</u>	<u>10,405,684</u>	<u>2,232</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,114,146	5,009,892	5,009,592	300
Special	925,610	864,453	864,451	2
Vocational	88,948	81,859	81,859	
Other	60,000	61,541	61,541	
Support Services:				
Pupil	306,789	298,396	298,214	182
Instructional Staff	463,221	557,370	557,364	6
Board of Education	70,694	70,310	70,309	1
Administration	741,425	758,104	756,721	1,383
Fiscal	247,702	253,742	252,719	1,023
Operation and Maintenance of Plant	900,453	955,082	953,039	2,043
Pupil Transportation	615,102	606,797	599,437	7,360
Central	1,850	2,630	2,630	
Extracurricular Activities	210,702	222,048	222,050	(2)
Operation of Non-Instructional Services	300	97	98	(1)
Capital Outlay	28,635	60,704	60,704	
Total Expenditures	<u>9,775,577</u>	<u>9,803,025</u>	<u>9,790,728</u>	<u>12,297</u>
Excess of Revenues Over (Under) Expenditures	<u>(18,658)</u>	<u>600,427</u>	<u>614,956</u>	<u>14,529</u>
Other Financing Sources (Uses):				
Transfers Out	(5,000)	(3,811)		3,811
Refund of Prior Year Receipts		(4,084)	(4,084)	
Advances In	31,751	35,000	33,862	(1,138)
Proceeds from Sale of Capital Assets		2,000		(2,000)
Refund of Prior Year Expenditures	5,831	3,000	6,219	3,219
Total Other Financing Sources (Uses)	<u>32,582</u>	<u>32,105</u>	<u>35,997</u>	<u>3,892</u>
Net Change in Fund Balance	13,924	632,532	650,953	18,421
Fund Balance Beginning of Year	2,366,972	2,366,972	2,366,972	
Prior Year Encumbrances Appropriated	<u>161,103</u>	<u>161,103</u>	<u>161,103</u>	
Fund Balance End of Year	<u>\$2,541,999</u>	<u>\$3,160,607</u>	<u>\$3,179,028</u>	<u>\$18,421</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$10,230	\$19,921
Investments in Segregated Accounts	19,234	
Total Assets	\$29,464	\$19,921
Liabilities:		
Due to Students		\$19,921
Net Position:		
Held in Trust for Scholarships	\$29,464	
	\$29,464	

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Contributions	\$3,955
Interest	94
	4,049
Deductions:	
Payments in Accordance with Trust Agreements	125
	3,924
Change in Net Position	3,924
Net Position - Beginning of Year	25,540
	\$29,464
Net Position - End of Year	\$29,464

See accompanying notes to the basic financial statements.

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

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,666,664
Cash and Cash Equivalents with Fiscal Agent	<u>1,781</u>
Total Assets	<u><u>4,668,445</u></u>
Net Position:	
Restricted for:	
Debt Service	558,420
Capital Outlay	1,005,064
Set-Asides	53,372
Other Purposes	467,372
Unrestricted	<u>2,584,217</u>
Total Net Position	<u><u>\$4,668,445</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Program Cash Receipts</u>			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants Contributions and Interest	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$5,156,038	\$1,021,606	\$36,340		(\$4,098,092)
Special	1,211,316	201,937	311,812		(697,567)
Vocational	83,056		26,075		(56,981)
Other	56,247				(56,247)
Support Services:					
Pupil	254,704				(254,704)
Instructional Staff	520,089	34,401	18,195		(467,493)
Board of Education	58,952				(58,952)
Administration	730,807				(730,807)
Fiscal	271,462				(271,462)
Operation and Maintenance of Plant	799,351				(799,351)
Pupil Transportation	564,181				(564,181)
Central	818				(818)
Operation of Non-Instructional Services	280,411	163,451	131,026		14,066
Extracurricular Activities	416,423	146,696	27,186		(242,541)
Capital Outlay	564,120			\$4,834	(559,286)
Principal Retirement	290,000				(290,000)
Interest and Fiscal Charges	505,431				(505,431)
Totals	<u>\$11,763,406</u>	<u>\$1,568,091</u>	<u>\$550,634</u>	<u>\$4,834</u>	<u>(9,639,847)</u>
General Receipts:					
Property Taxes Levied for General Purposes					2,004,241
Property Taxes Levied for Debt Service					779,693
Property Taxes Levied for Capital Maintenance					45,598
Income Taxes					1,687,211
Grants and Entitlements not Restricted to Specific Programs					4,778,691
Investment Earnings					14,795
Miscellaneous					32,983
Total General Receipts					<u>9,343,212</u>
Change in Net Position					(296,635)
Net Position Beginning of Year					<u>4,965,080</u>
Net Position End of Year					<u>\$4,668,445</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$2,485,220	\$558,420	\$985,374	\$584,278	\$4,613,292
Cash and Cash Equivalents with Fiscal Agent				1,781	1,781
Restricted Asset:					
Equity in Pooled Cash and Cash Equivalents	53,372				53,372
Total Assets	<u>2,538,592</u>	<u>558,420</u>	<u>985,374</u>	<u>586,059</u>	<u>4,668,445</u>
Fund Balances:					
Restricted	53,372	558,420	985,374	487,062	2,084,228
Committed				98,997	98,997
Assigned	310,188				310,188
Unassigned	2,175,032				2,175,032
Total Fund Balances	<u>2,538,592</u>	<u>558,420</u>	<u>985,374</u>	<u>586,059</u>	<u>4,668,445</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property Taxes	\$2,004,241	\$779,693		\$45,598	\$2,829,532
Income Tax	1,687,211				1,687,211
Intergovernmental	4,675,277	130,923		487,346	5,293,546
Interest	14,795		\$3,447	1,669	19,911
Tuition and Fees	1,117,174			117,668	1,234,842
Customer Sales and Service				163,451	163,451
Extracurricular Activities	20,557			146,820	167,377
Contributions and Donations	20,097			15,763	35,860
Miscellaneous	28,209				28,209
Total Receipts	<u>9,567,561</u>	<u>910,616</u>	<u>3,447</u>	<u>978,315</u>	<u>11,459,939</u>
Disbursements					
Current:					
Instruction:					
Regular	5,058,633			97,405	5,156,038
Special	890,575			320,741	1,211,316
Vocational	82,505			551	83,056
Other	56,247				56,247
Support Services:					
Pupil	254,704				254,704
Instructional Staff	468,131			51,958	520,089
Board of Education	58,952				58,952
Administration	729,639	1,104		64	730,807
Fiscal	250,672	19,643		1,147	271,462
Operation and Maintenance of Plant	799,351				799,351
Pupil Transportation	564,181				564,181
Central	818				818
Operation of Non-instructional Activities	281			280,130	280,411
Extracurricular Activities	230,412			186,011	416,423
Capital Outlay	228,183		64,900	271,037	564,120
Principal		290,000			290,000
Interest		505,431			505,431
Total Disbursements	<u>9,673,284</u>	<u>816,178</u>	<u>64,900</u>	<u>1,209,044</u>	<u>11,763,406</u>
Excess of Receipts Over/(Under) Disbursements	<u>(105,723)</u>	<u>94,438</u>	<u>(61,453)</u>	<u>(230,729)</u>	<u>(303,467)</u>
Other Financing Sources/(Uses):					
Transfers In				5,000	5,000
Transfers Out	(5,000)				(5,000)
Advances In				33,862	33,862
Advances Out	(33,862)				(33,862)
Refund of Prior Year Expenditures	4,649			683	5,332
Proceeds from Sale of Capital Assets	1,500				1,500
Total Other Financing Sources/(Uses)	<u>(32,713)</u>			<u>39,545</u>	<u>6,832</u>
Net Change in Fund Balances	(138,436)	94,438	(61,453)	(191,184)	(296,635)
Fund Balances Beginning of Year	<u>2,677,028</u>	<u>463,982</u>	<u>1,046,827</u>	<u>777,243</u>	<u>4,965,080</u>
Fund Balances End of Year	<u>\$2,538,592</u>	<u>\$558,420</u>	<u>\$985,374</u>	<u>\$586,059</u>	<u>\$4,668,445</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$1,940,000	\$2,566,404	\$2,004,241	(\$562,163)
Income Taxes	1,700,000	1,700,000	1,687,211	(12,789)
Intergovernmental	4,505,500	4,505,500	4,675,277	169,777
Tuition and Fees	697,500	697,500	1,117,174	419,674
Interest	21,000	21,000	14,795	(6,205)
Gifts and Donations	10,000	10,000	12,221	2,221
Miscellaneous	42,000	42,000	28,209	(13,791)
Total Revenues	8,916,000	9,542,404	9,539,128	(3,276)
Expenditures:				
Current:				
Instruction:				
Regular	5,057,659	5,049,775	5,049,774	1
Special	971,893	916,952	916,952	
Vocational	85,807	85,098	85,098	
Other	66,500	56,247	56,247	
Support Services:				
Pupil	247,767	256,941	256,941	
Instructional Staff	458,260	486,095	486,092	3
Board of Education	98,630	60,622	60,623	(1)
Administration	734,695	737,285	737,287	(2)
Fiscal	267,242	252,942	252,943	(1)
Operation and Maintenance of Plant	763,260	848,099	848,099	
Pupil Transportation	617,868	581,910	581,911	(1)
Central		818	818	
Extracurricular Activities	231,822	230,415	230,412	3
Operation of Non-Instructional Services		281	281	
Capital Outlay	171,986	228,318	228,318	
Total Expenditures	9,773,389	9,791,798	9,791,796	2
Excess of Revenues Under Expenditures	(857,389)	(249,394)	(252,668)	(3,274)
Other Financing Sources (Uses):				
Transfers Out	(5,000)	(5,000)	(5,000)	
Advances Out	(2,500)	(33,862)	(33,862)	
Advances In	1,000	1,000		(1,000)
Proceeds from Sale of Capital Assets	1,500	1,500	1,500	
Refund of Prior Year Expenditures	500	500	4,649	4,149
Total Other Financing Sources (Uses)	(4,500)	(35,862)	(32,713)	3,149
Net Change in Fund Balance	(861,889)	(285,256)	(285,381)	(125)
Fund Balance Beginning of Year	2,477,631	2,477,631	2,477,631	
Prior Year Encumbrances Appropriated	174,722	174,722	174,722	
Fund Balance End of Year	\$1,790,464	\$2,367,097	\$2,366,972	(\$125)

See accompanying notes to the basic financial statements.

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

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$6,144	\$18,464
Investments in Segregated Accounts	19,396	
Total Assets	25,540	18,464
Liabilities:		
Due to Students		\$18,464
Net Position:		
Held in Trust for Scholarships	25,540	
	\$25,540	

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Contributions	\$3,042
Interest	177
	<u>3,219</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>6,288</u>
Change in Net Position	(3,069)
Net Position - Beginning of Year	<u>28,609</u>
Net Position - End of Year	<u><u>\$25,540</u></u>

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was originally established in 1885 and consolidated as the Arcanum-Butler Local School District through the consolidation of existing land areas and School Districts. The School District serves an area of approximately 54 square miles. It is located in Darke County, and includes all of the Villages of Arcanum, Ithaca, Gordon, and Castine and portions of Twin, Butler, VanBuren, and Neave Townships. During fiscal year 2014, it is staffed by 41 non-certificated employees, 71 certified full-time teaching personnel and 4 administrative employees who provide services to 1,098 students and other community members. While during fiscal year 2013, it is staffed by 41 non-certificated employees, 70 certified full-time teaching personnel and 6 administrative employees who provide services to 1,163 students and other community members. The School District currently operates one building which houses all operations of the school.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable and for which a financial benefit or burden relationship exists. 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) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District. The School District is financially accountable for an organization if an organization is fiscally dependent on the School District and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the School District regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Component units may also include organizations that do not otherwise meet the criteria for inclusion if it is determined that their exclusion would be misleading. Arcanum-Butler Local School District has no component units.

The School District participates in three jointly governed organizations, two insurance purchasing pools, and a related organization. These organizations are discussed in Notes 11, 12 and 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

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

Insurance Purchasing Pools:

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

Related Organization:

Arcanum Public Library

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Fund Accounting

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

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

1. Governmental Fund Types

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

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

Bond Retirement Fund – The Bond Retirement Fund accounts for property tax revenues and State exemption reimbursements collected for the payment of general obligation bonded debt.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Funds

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

B. Basis of Presentation

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

1. Government-wide Financial Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis

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

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

2. Fund Financial Statements

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when the liability is incurred. As a result of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed for provided services not yet collected) and certain liabilities (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

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

E. Cash, Cash Equivalents and Investments

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

The School District invested in non-negotiable certificates of deposit, STAR Ohio, commercial paper, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, U.S. Treasury Notes, and mutual funds. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District values investments and cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2014 were \$18,880, which included \$4,037 that was assigned from the General Fund to other funds. While the interest receipts credited to the General Fund during fiscal year 2013 were \$14,795, which included \$3,629 that was assigned from the General Fund to other funds.

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

F. Restricted Assets

Cash and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such restraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by law through constitutional provisions or other enabling legislation. Restricted cash and investments in the General Fund are amounts restricted for bus purchases.

G. Inventory

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

H. Prepaid Items

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

I. Capital Assets

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

J. Accumulated Leave

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

K. Fund Balance

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

L. Net Position

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

M. Interfund Activity

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

3. CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2013, the School District has implemented GASB Statement No. 61, "The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34." This statement modifies certain requirements for inclusion of component units in the financial reporting entity. As a result of implementing GASB Statement No. 61, the reporting entity note disclosure has been changed.

For the year ended June 30, 2013, the School District has implemented GASB Stmt No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This statement provides guidance for reporting deferred outflows of resources and deferred inflows of resources. It also renames net assets to net position. As a result of implementing GASB Statement No. 63, the presentation of the financial statements and note disclosure has changed to show the difference between assets and liabilities as net position, instead of net assets.

The implementation of these statements had no effect on fund balance/net position as previously reported for the year ended June 30, 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, Passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

7. The State Treasurer's investment pool (STAR Ohio).

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

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

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

At June 30, 2014 and 2013, the School District had \$1,300 in un-deposited cash on hand.

A. Deposits

At June 30, 2014, the book balance of the School District's deposits was \$1,309,043 and the bank balance was \$1,331,306, of which \$1,202,383 is covered by Federal Deposit Insurance Corporation and \$128,923 was exposed to custodial credit risk. While at June 30, 2013, the book balance of the School District's deposits was \$1,465,494 and the bank balance was \$1,510,055 of which \$1,475,188 is covered by Federal Deposit Insurance Corporation and \$34,867 was exposed to custodial credit risk

B. Investments

As of June 30, 2014, the School District had the following investments:

<u>Investment</u>	<u>Amount</u>	<u>Maturity Date</u>
STAR Ohio	\$2,043,952	Various
Toyota Motor Credit Commercial Paper	99,901	10/24/14
Toyota Motor Credit Commercial Paper	129,870	12/22/14
Federal National Mortgage Association Note	59,980	03/30/16
Federal National Mortgage Association Note	220,000	04/29/16
Federal National Mortgage Association Note	175,000	11/21/16
Federal National Mortgage Association Note	130,000	01/30/17
Federal National Mortgage Association Note	104,385	08/28/17
Federal National Mortgage Association Note	89,910	04/30/18
Federal Home Loan Mortgage Corporation	99,957	05/13/16
Federal Home Loan Mortgage Corporation	249,824	06/29/17
Federal Home Loan Bank Note	74,965	07/25/14
Federal Home Loan Bank Note	103,571	11/28/16
Federal Home Loan Bank Note	199,676	06/24/16
US Treasury Note	230,000	10/31/15
Invesco STIT Government and Agency Mutual Fund	156,813	Various
First American Treasury Obligations Money Market Fund	85,348	Various
	<u>\$4,253,152</u>	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2013, the School District had the following investments:

<u>Investment</u>	<u>Amount</u>	<u>Maturity Date</u>
STAR Ohio	\$1,702,929	Various
Toyota Motor Credit Commercial Paper	204,766	12/13/13
Federal National Mortgage Association Note	59,980	03/30/16
Federal National Mortgage Association Note	220,000	04/29/16
Federal National Mortgage Association Note	175,000	11/21/16
Federal National Mortgage Association Note	89,910	04/30/18
Federal Home Loan Bank Note	160,000	07/12/13
Federal Home Loan Bank Note	174,832	08/28/13
Federal Home Loan Bank Note	174,996	10/15/13
US Treasury Note	175,000	04/30/14
Invesco STIT Government and Agency Mutual Fund	103,278	Various
First American Treasury Obligations Mutual Fund	3,183	Various
	<u>\$3,243,874</u>	

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

Concentration of Credit Risk: The School District places no limit on the amount it may invest in any one issuer. At June 30, 2014, 48% of the School District's investments were in STAR Ohio, 18% were in the Federal National Mortgage Association, 9% were in the Federal Home Loan Bank, 9% were in the Federal Home Loan Mortgage Corporation 5% were in Toyota Motor Group, 5% were in US Treasury Notes and 6% were in money market funds. While at June 30, 2013, 52% of the School District's investments were in STAR Ohio, 17% were in the Federal National Mortgage Association, 16% were in the Federal Home Loan Bank, 6 % were in Toyota Motor Group, 5% were in US Treasury Notes and 4% were in money market funds.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. The School District's investment in STAR Ohio was rated AAAM by Standards & Poor's at June 30, 2014 and 2013. The School District's investment in Toyota Motor Credit was rated P-1 by Moody's Investors Service and A-1+ by Standards & Poor's at June 30, 2014 and 2013. The School District's investments in the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, and U.S. Treasury Notes were rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's at June 30, 2014 and 2013.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

June 30, 2014	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$5,546,052	\$19,234
Petty cash	(1,300)	
Cash with Fiscal Agent	(1,791)	
Investments:		
STAR Ohio	(2,043,952)	2,043,952
Toyota Motor Credit Commercial Paper	(229,771)	229,771
Federal National Mortgage Association	(779,275)	779,275
Federal Home Loan Mortgage Corporation	(349,781)	349,781
Federal Home Loan Bank	(378,212)	378,212
US Treasury Note	(230,000)	230,000
Invesco STIT Government and Agency Mutual Fund	(156,813)	156,813
First American Treasury Obligations Money Market Fund	(85,348)	85,348
Scholarship CDs	19,234	(19,234)
GASB Statement No. 3	<u>\$1,309,043</u>	<u>\$4,253,152</u>

June 30, 2013	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$4,693,053	\$19,396
Petty cash	(1,300)	
Cash with Fiscal Agent	(1,781)	
Investments:		
STAR Ohio	(1,702,929)	1,702,929
Federal Home Loan Bank	(509,828)	509,828
Federal National Mortgage Association	(544,890)	544,890
Toyota Motor Credit Commercial Paper	(204,766)	204,766
US Treasury Note	(175,000)	175,000
Invesco STIT Government and Agency Mutual Fund	(103,278)	103,278
First American Treasury Obligations Mutual Fund	(3,183)	3,183
Scholarship CDs	19,396	(19,396)
GASB Statement No. 3	<u>\$1,465,494</u>	<u>\$3,243,874</u>

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax receipts received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

5. PROPERTY TAXES (Continued)

Public utility property tax receipts received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, 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.

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$108,186,350	95%	\$108,367,210	94%
Public Utility Personal	6,019,080	5	6,379,090	6
Total	<u>\$114,205,430</u>	<u>100%</u>	<u>\$114,746,300</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$34.15		\$34.15	

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 and Other Real Estate	\$107,654,880	95%	\$108,186,350	95%
Public Utility Personal	5,703,930	5	6,019,080	5
Total	<u>\$113,358,810</u>	<u>100%</u>	<u>\$114,205,430</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$34.15		\$34.15	

6. INCOME TAX

As of June 30, 2014 and 2013, the School District levies a voted tax of a total of one and one half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts to the General Fund during fiscal year 2014 were \$2,140,162 and during fiscal year 2013 were \$1,687,211.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

7. BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance – June 30, 2014:

Cash Basis	\$837,060
Adjustment for Encumbrances	(179,115)
Difference in Perspective	<u>(6,992)</u>
Budgetary Basis	<u><u>\$650,953</u></u>

Net Change in Fund Balance – June 30, 2013:

Cash Basis	(\$138,436)
Adjustment for Encumbrances	(161,101)
Difference in Perspective	<u>14,156</u>
Budgetary Basis	<u><u>(\$285,381)</u></u>

8. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014 and 2013, the School District contracted with the Liberty Mutual Insurance for general liability, property, and fleet insurance. Coverage provided is as follows:

Buildings and Contents – replacement cost	\$32,455,347
Automobile Liability	1,000,000
Uninsured Motorist	1,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate per member	2,000,000
Sexual misconduct and molestation	
Per Occurrence	1,000,000
Aggregate per member	1,000,000
Errors and Omissions	1,000,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

8. RISK MANAGEMENT (Continued)

Employer's Liability and Stop Gap	
Per Occurrence	1,000,000
Total per year	2,000,000
Employee Benefit Liability	
Per Occurrence	1,000,000
Aggregate per member	3,000,000
Public Employee Dishonesty	50,000
Umbrella Liability	
Per Occurrence	5,000,000
Aggregate Limit	5,000,000

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

B. Workers' Compensation

For fiscal years 2014 and 2013, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal years 2014 and 2013, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 12). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the MBP. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100 Columbus, Ohio 43215 or by calling toll free (800) 878-5853. It is also posted on website at www.ohsers.org under Employers/Audit Resources.

For fiscal years 2014 and 2013, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate of 14 percent of annual covered payroll. The contributions requirement of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Healthcare Fund) of the system. For fiscal years 2014 and 2013, the allocation to pension and death benefits is 13.10 percent of annual covered salary. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$143,175, \$148,783, and \$137,506 respectively; 100 percent has been contributed for fiscal year 2014, 2013, and 2012.

B. State Teachers Retirement System of Ohio

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage of up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. While for the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations; the same portion that was used to fund pension obligations for fiscal years 2013 and 2012. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members during fiscal year 2014 and 10 percent for members during fiscal year 2013 and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2014, 2013, and 2012 were \$551,754, \$549,672 and \$560,922 respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. For fiscal year 2014, contributions to the DC and Combined Plans were \$8,466 made by the School District and \$6,652 made by the plan members. For fiscal year 2013, contributions to the DC and Combined Plans were \$8,695 made by the School District and \$6,211 made by the plan members.

10. POST-EMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal years ended June 30, 2014 and 2013, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's required contributions for the fiscal years ended June 30, 2014, 2013, and 2012, were \$42,443, \$42,282, and \$43,148. 83% has been contributed for fiscal year 2014 and 100% has been contributed for fiscal years 2013 and 2012.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month, depending on income; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2014 and 2013, the actuarially required allocation was .76% and .74% respectively.

The School District's required contributions for the fiscal years ended June 30, 2014, 2013, and 2012 were \$8,306, \$8,405, and \$8,120. 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal years ended June 30, 2014 and 2013, the health care allocation was .14% and .16% of covered payroll, respectively.

In addition, a surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. The minimum pay was established at \$20,250 for fiscal year 2014 and \$20,525 for fiscal year 2013. The surcharge added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's required contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$21,392, \$18,146, and \$21,893 respectively. 100 percent has been contributed for fiscal years 2014, 2013, and 2010. The SERS Retirement Board establishes rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health care and Medicare B Plans are included in its stand-alone report. That report may be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Dayton Educational Cooperative Association

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$8,959 during fiscal year 2014 and \$8,725 during fiscal year 2013 for computer services provided. Financial information can be obtained from Dean A. Reineke, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

B. Southwestern Ohio Educational Purchasing Council

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. The School District paid \$717 during fiscal year 2014 and \$717 during fiscal year 2013 in fees to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

C. Southwestern Ohio Instructional Technology Association

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS (Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal years 2014 and 2013, the School District did not make any payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, at 150 East Sixth Street, Franklin, Ohio 45005.

12. INSURANCE PURCHASING POOLS

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

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

B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

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

13. RELATED ORGANIZATION

The Arcanum Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Arcanum-Butler Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely the Board of Trustees. The School District had no financial transactions with the Arcanum Public Library during fiscal years 2014 and 2013. Financial information can be obtained from the Arcanum Public Library, Roberta J. Brown, Clerk/Treasurer, at 101 West North Street, Arcanum, Ohio 45304.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

14. SET-ASIDE CALCULATIONS

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

The following cash basis information describes the change in the fiscal year-end set-aside amount for capital acquisition. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	186,220
Current Offsets	(45,261)
Prior Year Offsets	(95,218)
Qualifying Disbursements	(45,741)
Set-aside Balances Carried Forward to Future Fiscal Years	\$0
Set-aside Reserve Balances as of June 30, 2014	\$0

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	176,423
Offsets	(45,598)
Qualifying Disbursements	(130,825)
Set-aside Balances Carried Forward to Future Fiscal Years	\$0
Set-aside Reserve Balances as of June 30, 2013	\$0

The School District had current year offsets and qualifying disbursements during the fiscal year that reduced the capital improvements set-aside below zero. These extra amounts may not be used to reduce the set-aside requirements in future fiscal years.

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/13	Additions	Deductions	Principal Outstanding 6/30/14
Classroom Facilities Bonds				
2008 3.00 – 4.50%	\$11,939,994	\$0	\$305,000	\$11,634,994

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

	Principal Outstanding 6/30/12	Additions	Deductions	Principal Outstanding 6/30/13
Classroom Facilities Bonds				
2008 3.00 – 4.50%	\$12,229,994	\$0	\$290,000	\$11,939,994

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

Fiscal year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Term Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$320,000	\$85,818				\$400,150
2016	340,000	74,668				400,150
2017		68,719	\$79,175	\$280,825		400,150
2018		68,719	68,084	301,916		400,150
2019		68,719	57,735	317,265		400,150
2020-2024	1,690,000	143,570			\$485,000	1,990,445
2025-2029					2,895,000	1,603,907
2030-2034					3,840,000	869,625
2035-2036					1,860,000	84,825
Total	<u>\$2,350,000</u>	<u>\$510,213</u>	<u>\$204,994</u>	<u>\$900,006</u>	<u>\$9,080,000</u>	<u>\$6,549,552</u>

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

16. CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014 and 2013.

17. COMPLIANCE

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

18. FUND BALANCE

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

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2014 were as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

18. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:					
Bus Purchases	\$2,250				\$2,250
School construction			\$845,150	\$960	846,110
Facilities Maintenance				358,459	358,459
Debt Retirement		\$642,497			642,497
School Library				6,142	6,142
Special Education				6,205	6,205
Network Connectivity				2,570	2,570
Professional Development				31	31
Food Service Operations				109,278	109,278
Athletics				60,301	60,301
Handicapped Preschool				187	187
Total Restricted	<u>2,250</u>	<u>642,497</u>	<u>845,150</u>	<u>544,133</u>	<u>2,034,030</u>
Committed to:					
Latchkey/Preschool				201	201
Uniform School Supplies				108,364	108,364
Total Committed				<u>108,565</u>	<u>108,565</u>
Assigned for:					
Unpaid Obligations	179,004				179,004
Capital Improvements	453,227				453,227
Educational Activities	17,258				17,258
Total Assigned	<u>649,489</u>				<u>649,489</u>
Unassigned	2,723,913			(96)	2,723,817
Total Fund Balance	<u>\$3,375,652</u>	<u>\$642,497</u>	<u>\$845,150</u>	<u>\$652,602</u>	<u>\$5,515,901</u>

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2013 were as follows:

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:					
Bus Purchases	\$53,372				\$53,372
School construction			\$985,374	\$19,649	1,005,023
Facilities Maintenance				287,191	287,191
Debt Retirement		\$558,420			558,420
School Library				6,138	6,138
Special Education				5,742	5,742
Network Connectivity				10,142	10,142
Professional Development				31	31
Food Service Operations				90,129	90,129
Athletics				64,221	64,221
Character Education				3,586	3,586
Elementary Art				74	74
Handicapped Preschool				159	159
Total Restricted	<u>53,372</u>	<u>558,420</u>	<u>985,374</u>	<u>487,062</u>	<u>2,084,228</u>

(Continued)

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

18. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Committed to:					
Latchkey/Preschool				7,028	7,028
Uniform School Supplies				91,969	91,969
Total Committed				98,997	98,997
Assigned for:					
Unpaid Obligations	160,966				160,966
Capital Improvements	138,967				138,967
Educational Activities	10,255				10,255
Total Assigned	310,188				310,188
Unassigned	2,175,032				2,175,032
Total Fund Balance	<u>\$2,538,592</u>	<u>\$558,420</u>	<u>\$985,374</u>	<u>\$586,059</u>	<u>\$4,668,445</u>

19. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2014, the School District had significant contractual purchase commitments as follows:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/14</u>
Wagner Paving	Repairs and sealing	\$43,290	\$0	\$43,290
Washco Enterprises	Masonry cleaning	60,500	0	60,500

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Dave Yost • Auditor of State

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

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

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 Arcanum-Butler Local School District, Darke County, (the School District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 4, 2014, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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 School 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. We consider finding 2014-003 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-002.

Entity's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2014

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

**SCHEDULE OF FINDINGS
JUNE 30, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

NONCOMPLIANCE

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

Ohio Admin. Code Section 117-2-03(B) requires the school district to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). The School District prepared its financial statements for both fiscal year end 2013 and 2014, in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare the annual financial statements according to generally accepted accounting principles to help provide the users with more meaningful and useful financial statements.

Official's Response:

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

FINDING NUMBER 2014-002

NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

FINDING NUMBER 2014-002
(continued)

- A. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the School District can authorize the drawing of a warrant for the payment of the amount due. The School District has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the School District.
- B. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not to exceed an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket Certificate** - The School District may also make expenditures and contract for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The School District did not properly encumber 17.4% of expenditures tested for 2014 and 2013 and the aforementioned exceptions were not utilized. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances. Additionally, the School District did not have a formal policy in place to set a maximum amount for blanket purchase orders.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the School District's funds exceeding budgetary spending limitations, the School District should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

Official's Response:

The school district will be considering an electronic requisition process that will allow for a more efficient approval process. Additionally, the school district also recognizes a need for strict enforcement of the requisition approval process. The district will be providing information to the school staff members regarding the requisition approval process, and will then be strictly enforcing the purchasing procedures. Although the district will be addressing the purchasing procedures, the district does not question the legality of the district's expenses.

FINDING NUMBER 2014-003

Material Weakness – Major Fund Presentation

The School District's financial statements for fiscal year 2013 and 2014 were prepared on another comprehensive basis of accounting (OCBOA GASB 34 presentation).

Governmental Accounting Standards Board (GASB) Statement 34 paragraph 76 defines major funds as those with:

- A) Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding element total (assets + deferred outflows, liabilities + deferred inflows, etc.) for all funds of that category or type (i.e., total governmental or total enterprise), and
- B) The same element that met the 10% criterion in (A) is at least 5% of the corresponding element total for all governmental plus enterprise funds combined.
- C) The general fund is always a major fund.

For fiscal year 2013, the Bond Retirement Fund was presented as part of Other Governmental Funds (remaining fund information opinion unit) on the fund statements and should have been presented as a Major Fund for fiscal year 2013 because the Bond Retirement Fund's assets meet both the 10% and 5% tests. The accompanying financial statements for 2013 were adjusted to reflect this fund as a major fund.

To improve the accuracy and completeness of the School District's basic financial statements and to provide for comparative financial statements from year to year, the School District should implement procedures to review the basic financial statements for accuracy and completeness, failure to do so could result in materially misstated financial statements.

Official's Response:

Officials did not respond to this finding.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B) – Failure to prepare financial statements in accordance with GAAP	No	Not Corrected; repeat as Finding 2014-001



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ARCANUM BUTLER LOCAL SCHOOL DISTRICT

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 13, 2015