



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**REGULAR AUDIT**

**FOR THE FISCAL YEARS ENDED JUNE 30, 1999-1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Botkins Local School District  
Shelby County  
P. O. Box 550  
208 N. Sycamore Street  
Botkins, Ohio 45306

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Botkins Local School District, Shelby County, (the District), as of and for the years ended June 30, 1999 and June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Botkins Local School District, Shelby County, as of June 30, 1999 and June 30, 1998, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**JIM PETRO**  
Auditor of State

January 7, 2000



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**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 1999**

	<b>GOVERNMENTAL FUND TYPES</b>			
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$382,177	\$93,323	\$400,513	\$325,822
Cash and Cash Equivalents With Fiscal Agent	0	4,363	0	0
Investments	0	20,000	0	0
Receivables:				
Property Taxes	762,974	17,851	374,217	50,663
Accounts	625	0	0	0
Intergovernmental	650	4,141	0	0
Accrued Interest	6,171	0	0	0
Interfund	28,684	0	0	0
Prepaid Items	0	0	0	0
Inventory of Supplies and Materials	11,743	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	68,085	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Debt	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$1,261,109</u></b>	<b><u>\$139,678</u></b>	<b><u>\$774,730</u></b>	<b><u>\$376,485</u></b>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$8,042	\$741	\$0	\$735
Accrued Wages and Benefits Payable	240,713	0	0	0
Intergovernmental Payable	56,601	98	0	0
Interfund Payable	0	0	0	28,684
Due To Students	0	0	0	0
Deferred Revenue	723,158	16,881	354,426	49,010
Capital Leases Obligation	0	0	0	0
Compensated Absences Payable	5,133	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b><u>1,033,647</u></b>	<b><u>17,720</u></b>	<b><u>354,426</u></b>	<b><u>78,429</u></b>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	28,780	20,346	0	38,945
Reserved for Inventory	11,743	0	0	0
Reserved for Contributions	0	0	0	0
Reserved for Property Taxes	40,441	970	19,791	1,653
Reserved for Budget Stabilization	37,913	0	0	0
Reserved for School Bus Purchases	30,172	0	0	0
Unreserved, Undesignated	78,413	100,642	400,513	257,458
<b>Total Fund Equity and Other Credits</b>	<b><u>227,462</u></b>	<b><u>121,958</u></b>	<b><u>420,304</u></b>	<b><u>298,056</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$1,261,109</u></b>	<b><u>\$139,678</u></b>	<b><u>\$774,730</u></b>	<b><u>\$376,485</u></b>



PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
ENTERPRISE	TRUST AND AGENCY			
\$11,696	\$37,750	\$0	\$0	\$1,251,281
0	0	0	0	4,363
0	10,000	0	0	30,000
0	0	0	0	1,205,705
0	0	0	0	625
2,838	0	0	0	7,629
0	0	0	0	6,171
0	0	0	0	28,684
442	0	0	0	442
518	0	0	0	12,261
6,996	0	0	0	6,996
0	0	0	0	68,085
90,835	0	6,580,678	0	6,671,513
0	0	0	420,304	420,304
0	0	0	2,046,809	2,046,809
<u>\$113,325</u>	<u>\$47,750</u>	<u>\$6,580,678</u>	<u>\$2,467,113</u>	<u>\$11,760,868</u>
\$0	\$0	\$0	\$0	\$9,518
3,217	0	0	0	243,930
7,327	0	0	19,891	83,917
0	0	0	0	28,684
0	34,744	0	0	34,744
5,371	0	0	0	1,148,846
0	0	0	15,630	15,630
0	0	0	181,592	186,725
0	0	0	2,250,000	2,250,000
<u>15,915</u>	<u>34,744</u>	<u>0</u>	<u>2,467,113</u>	<u>4,001,994</u>
0	0	6,580,678	0	6,580,678
88,149	0	0	0	88,149
9,261	0	0	0	9,261
0	0	0	0	88,071
0	0	0	0	11,743
0	11,700	0	0	11,700
0	0	0	0	62,855
0	0	0	0	37,913
0	0	0	0	30,172
0	1,306	0	0	838,332
<u>97,410</u>	<u>13,006</u>	<u>6,580,678</u>	<u>0</u>	<u>7,758,874</u>
<u>\$113,325</u>	<u>\$47,750</u>	<u>\$6,580,678</u>	<u>\$2,467,113</u>	<u>\$11,760,868</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<b>Revenues:</b>					
Property Taxes	\$760,137	\$17,780	\$374,630	\$28,962	\$1,181,509
Tuition and Fees	29,475	0	0	0	29,475
Interest	43,027	2,014	0	0	45,041
Intergovernmental	2,038,939	96,843	37,498	297,896	2,471,176
Extracurricular Activities	0	127,066	0	28,506	155,572
Rent	7,000	0	0	0	7,000
Contributions and Donations	6,500	6,320	0	21,376	34,196
Total Revenues	<u>2,885,078</u>	<u>250,023</u>	<u>412,128</u>	<u>376,740</u>	<u>3,923,969</u>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	1,546,222	3,110	0	31,519	1,580,851
Special	161,272	55,441	0	0	216,713
Vocational	114,169	0	0	1,986	116,155
<b>Support Services:</b>					
Pupils	56,782	59,912	0	24,840	141,534
Instructional Staff	145,992	6,159	0	0	152,151
Board of Education	5,852	0	0	0	5,852
Administration	260,561	54	0	2,055	262,670
Fiscal	78,014	408	8,043	657	87,122
Business	0	76	0	0	76
Operation and Maintenance of Plant	233,659	0	0	4,776	238,435
Pupil Transportation	72,453	5,864	0	0	78,317
Central	1,113	6,250	0	0	7,363
Extracurricular Activities	80,253	60,652	0	0	140,905
Capital Outlay	0	9,005	0	214,840	223,845
<b>Debt Service:</b>					
Principal Retirement	12,568	0	215,000	0	227,568
Interest and Fiscal Charges	1,551	0	163,394	0	164,945
Total Expenditures	<u>2,770,461</u>	<u>206,931</u>	<u>386,437</u>	<u>280,673</u>	<u>3,644,502</u>
Excess of Revenues Over Expenditures	114,617	43,092	25,691	96,067	279,467
Fund Balances at Beginning of Year	113,799	78,866	394,613	201,989	789,267
Decrease in Reserve for Inventory	(954)	0	0	0	(954)
Fund Balances at End of Year	<u>\$227,462</u>	<u>\$121,958</u>	<u>\$420,304</u>	<u>\$298,056</u>	<u>\$1,067,780</u>

*See Accompanying Notes to the General Purpose Financial Statements*

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**BOTKINS LOCAL SCHOOL DISTRICT  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Revenues:</b>						
Property Taxes	\$732,007	\$746,405	\$14,398	\$17,000	\$17,497	\$497
Tuition and Fees	31,500	29,668	(1,832)	0	0	0
Interest	40,500	41,798	1,298	1,600	1,700	100
Intergovernmental	1,975,672	2,038,289	62,617	64,810	64,580	(230)
Extracurricular Activities	0	0	0	118,600	127,491	8,891
Rent	6,000	7,000	1,000	0	0	0
Contributions and Donations	0	6,500	6,500	300	6,320	6,020
<b>Total Revenues</b>	<b>2,785,679</b>	<b>2,869,660</b>	<b>83,981</b>	<b>202,310</b>	<b>217,588</b>	<b>15,278</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	1,589,803	1,546,994	42,809	7,390	3,110	4,280
Special	230,076	165,456	64,620	32,573	32,573	0
Vocational	118,049	113,341	4,708	0	0	0
Adult/Continuing	225	0	225	0	0	0
Other	35,200	17,663	17,537	0	0	0
<b>Support Services:</b>						
Pupils	69,200	56,911	12,289	67,706	55,424	12,282
Instructional Staff	152,499	146,426	6,073	17,852	17,027	825
Board of Education	7,600	6,147	1,453	0	0	0
Administration	275,121	257,379	17,742	1,127	1,127	0
Fiscal	93,850	78,357	15,493	400	383	17
Operation and Maintenance of Plant	291,356	240,811	50,545	0	0	0
Pupil Transportation	150,029	115,684	34,345	8,500	5,864	2,636
Central	1,300	1,248	52	6,250	6,250	0
Operation of Non-Instructional Services	100	0	100	0	0	0
Extracurricular Activities	86,500	80,266	6,234	91,252	67,377	23,875
Capital Outlay	21,500	0	21,500	27,035	13,005	14,030
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>3,122,408</b>	<b>2,826,683</b>	<b>295,725</b>	<b>260,085</b>	<b>202,140</b>	<b>57,945</b>
Excess of Revenues Over (Under) Expenditures	(336,729)	42,977	379,706	(57,775)	15,448	73,223
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	0	1,159	1,159	1,127	1,127	0
Advances - In	0	0	0	0	0	0
Advances - Out	(27,321)	(27,321)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(27,321)</b>	<b>(26,162)</b>	<b>1,159</b>	<b>1,127</b>	<b>1,127</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(364,050)	16,815	380,865	(56,648)	16,575	73,223
Fund Balances at Beginning of Year	329,452	329,452	0	72,826	72,826	0
Prior Year Encumbrances Appropriated	34,598	34,598	0	3,198	3,198	0
<b>Fund Balances at End of Year</b>	<b>\$0</b>	<b>\$380,865</b>	<b>\$380,865</b>	<b>\$19,376</b>	<b>\$92,599</b>	<b>\$73,223</b>

See Accompanying Notes to the General Purpose Financial Statements

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$362,000	\$367,438	\$5,438	\$29,134	\$29,738	\$604
0	0	0	0	0	0
0	0	0	0	0	0
37,350	37,498	148	356,088	297,896	(58,192)
0	0	0	25,000	28,506	3,506
0	0	0	0	0	0
0	0	0	30,000	21,376	(8,624)
<u>399,350</u>	<u>404,936</u>	<u>5,586</u>	<u>440,222</u>	<u>377,516</u>	<u>(62,706)</u>
0	0	0	86,220	31,615	54,605
0	0	0	0	0	0
0	0	0	4,000	3,899	101
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	25,000	24,840	160
0	0	0	12,364	6,356	6,008
0	0	0	0	0	0
100,000	0	100,000	4,320	2,320	2,000
302,970	8,042	294,928	1,000	658	342
0	0	0	4,940	4,776	164
0	0	0	12,000	11,532	468
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	491,283	253,492	237,791
215,000	215,000	0	0	0	0
163,394	163,394	0	0	0	0
<u>781,364</u>	<u>386,436</u>	<u>394,928</u>	<u>641,127</u>	<u>339,488</u>	<u>301,639</u>
<u>(382,014)</u>	<u>18,500</u>	<u>400,514</u>	<u>(200,905)</u>	<u>38,028</u>	<u>238,933</u>
0	0	0	0	0	0
0	0	0	0	27,321	27,321
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>27,321</u>	<u>27,321</u>
(382,014)	18,500	400,514	(200,905)	65,349	266,254
382,014	382,014	0	188,223	188,223	0
0	0	0	32,569	32,569	0
<u>\$0</u>	<u>\$400,514</u>	<u>\$400,514</u>	<u>\$19,887</u>	<u>\$286,141</u>	<u>\$266,254</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY  
PROPRIETARY FUND AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<b>PROPRIETARY FUND TYPE</b>	<b>FIDUCIARY FUND TYPE</b>	<b>TOTAL (MEMORANDUM ONLY)</b>
	<b>ENTERPRISE</b>	<b>NONEXPENDABLE TRUST</b>	
<b>Operating Revenues:</b>			
Sales	\$120,355	\$0	\$120,355
Interest	0	474	474
Contributions and Donations	0	0	0
Total Operating Revenues	<u>120,355</u>	<u>474</u>	<u>120,829</u>
<b>Operating Expenses:</b>			
Salaries and Wages	51,263	0	51,263
Fringe Benefits	17,327	0	17,327
Purchased Services	3,734	0	3,734
Supplies and Materials	1,660	0	1,660
Cost of Sales	84,264	0	84,264
Other	0	800	800
Depreciation	7,784	0	7,784
Total Operating Expenses	<u>166,032</u>	<u>800</u>	<u>166,832</u>
Operating Loss	<u>(45,677)</u>	<u>(326)</u>	<u>(46,003)</u>
<b>Non-Operating Revenues:</b>			
Interest	216	0	216
Federal and State Subsidies	24,823	0	24,823
Federal Donated Commodities	18,513	0	18,513
Total Non-Operating Revenues	<u>43,552</u>	<u>0</u>	<u>43,552</u>
Net Loss	(2,125)	(326)	(2,451)
Retained Earnings/Fund Balance at Beginning of Year	<u>11,386</u>	<u>13,332</u>	<u>24,718</u>
Retained Earnings/Fund Balance at End of Year	9,261	13,006	22,267
Contributed Capital at Beginning and End of Year	<u>88,149</u>	<u>0</u>	<u>88,149</u>
Total Fund Equity at End of Year	<u>\$97,410</u>	<u>\$13,006</u>	<u>\$110,416</u>

*See Accompanying Notes to the General Purpose Financial Statements*

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL  
PROPRIETARY FUND AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	PROPRIETARY FUND TYPE			FIDUCIARY FUND TYPE		
	ENTERPRISE FUND			NONEXPENDABLE TRUST FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Revenues:</b>						
Sales	\$113,300	\$120,355	\$7,055	\$0	\$0	\$0
Interest	0	187	187	600	483	(117)
Federal and State Subsidies	26,700	22,063	(4,637)	0	0	0
Contributions and Donations	0	0	0	0	0	0
Total Revenues	140,000	142,605	2,605	600	483	(117)
<b>Expenses:</b>						
Salaries and Wages	58,406	54,673	3,733	0	0	0
Fringe Benefits	19,400	18,618	782	0	0	0
Purchased Services	6,330	4,381	1,949	0	0	0
Supplies and Materials	67,240	67,022	218	0	0	0
Capital Outlay	2,300	2,172	128	0	0	0
Other	0	0	0	1,250	800	450
Total Expenses	153,676	146,866	6,810	1,250	800	450
Excess of Revenues Over (Under)						
Expenses	(13,676)	(4,261)	9,415	(650)	(317)	333
Fund Equity at Beginning of Year	13,245	13,245	0	13,332	13,332	0
Prior Year Encumbrances Appropriated	431	431	0	0	0	0
Fund Equity at End of Year	\$0	\$9,415	\$9,415	\$12,682	\$13,015	\$333

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND AND SIMILAR FIDUCIARY FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<b>PROPRIETARY FUND TYPE</b>	<b>FIDUCIARY FUND TYPE</b>	<b>TOTAL</b>
	<b>ENTERPRISE</b>	<b>NONEXPENDABLE TRUST</b>	<b>(MEMORANDUM ONLY)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$120,355	\$0	\$120,355
Cash Payments for Employee Services and Benefits	(73,291)	0	(73,291)
Cash Payments to Suppliers for Goods and Services	(71,323)	0	(71,323)
Other Operating Expenses	0	(800)	(800)
Net Cash Used In Operating Activities	(24,259)	(800)	(25,059)
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies Received	22,063	0	22,063
Net Cash Provided By Noncapital Financing Activities	22,063	0	22,063
Cash Flows from Investing Activities:			
Interest	216	474	690
Net Cash Provided By Investing Activities	216	474	690
Net Increases (Decrease) in Cash and Cash Equivalents	(1,980)	(326)	(2,306)
Cash and Cash Equivalents Beginning of Year	13,676	3,332	17,008
Cash and Cash Equivalents End of Year	\$11,696	\$3,006	\$14,702
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities:</b>			
Operating Loss	(\$45,677)	(\$326)	(\$46,003)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:			
Depreciation	7,784	0	7,784
Donated Commodities Received	18,513	0	18,513
Interest in Nonexpendable Trust Fund	0	(474)	(474)
Changes in Assets and Liabilities:			
Decrease in Prepays	389	0	389
Increase in Inventory of Supplies and Materials	(74)	0	(74)
Decrease in Inventory Held for Resale	463	0	463
Decrease in Accrued Salaries Payable	(2,208)	0	(2,208)
Decrease in Intergovernmental Payable	(1,469)	0	(1,469)
Decrease in Compensated Absences Payable	(1,980)	0	(1,980)
Net Cash Used In Operating Activities	(\$24,259)	(\$800)	(\$25,059)
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet			
Cash and Cash Equivalents-All Fiduciary Funds		\$37,750	
Cash and Cash Equivalents-Agency Fund		(34,744)	
Cash and Cash Equivalents-Nonexpendable Trust Fund		\$3,006	

*See Accompanying Notes to the General Purpose Financial Statements*



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Botkins Local School District (the "School District") is a politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five member Board form of government and provides educational services as mandated by State and/or federal agencies.

The School District is staffed by 22 non-certificated employees, 41 certificated full-time teaching personnel and 2 administrative employees who provide services to 643 students and other community members. The School District currently operates 1 instructional/support building.

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

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

The School District is associated with four jointly governed organizations and two insurance purchasing pools. These organizations are presented in Note 16 and 17 to the general purpose financial statements. These organizations are:

**Jointly Governed Organizations:**

- Western Ohio Computer Organization
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- Shelby County Local Professional Development Consortium
- Botkins Joint Recreation Board

**Insurance Purchasing Pools:**

- Ohio School Boards Association Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. 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 recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

**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.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund** - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs.

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or the trust fund).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Proprietary Fund Type:**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Enterprise Fund** - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include nonexpendable trust and agency funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group** - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

**General Long-Term Debt Account Group** - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The enterprise and nonexpendable trust funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, interest, interfund, tuition, grants and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the enterprise fund and nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The title III and preschool special revenue funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances - in and advances - out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Tax Budget:***

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Shelby County Budget Commission for rate determination.

***Estimated Resources:***

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year.

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

***Appropriations:***

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than the agency fund, consistent with statutory provisions

***Encumbrances:***

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Lapsing of Appropriations:***

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, except the nonexpendable trust fund, 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 combined balance sheet.

During fiscal year 1999, investments were limited to certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$43,027 which includes \$25,274 assigned from other School Districts funds. The special revenue, enterprise and nonexpendable trust funds also received interest in the amount of \$2,014, \$216, and \$474, respectively.

The balance of various grant activity administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agent" and represents deposits of the Shelby County Educational Service Center.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with a maturity of more than three months that were not purchased from the pool are reported as investments.

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food and non-food supplies and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**G. Restricted Assets**

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**H. Estimates**

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

**I. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three hundred dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of five to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**J. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

***General Fund***

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

**Non-Reimbursable Grants**

***Special Revenue Funds***

- Education Management Information Systems
- Textbooks/Instructional Materials Subsidy
- Title I
- Title VI
- Title VI-B

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Non-Reimbursable Grants, (Continued)**

***Special Revenue Funds, (Continued)***

- Professional Development Block Grant
- Eisenhower
- Preschool Handicap Grant
- E-Rate
- Library Service
- Continuous Improvement Development
- Preschool (Pass-through) Grant

***Capital Projects Funds***

- School Net Plus
- Emergency Repairs Grant
- Technology Equity
- Building Assistance
- Interactive Video Distance Learning
- Power Up Technology

**Reimbursable Grants**

***General Fund***

- Driver Education

***Capital Project***

- Vocational Agriculture Equipment Grant

***Proprietary Funds***

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 63 percent of governmental fund revenue during the 1999 fiscal year.

**K. Interfund Assets/Liabilities**

Short term interfund loans are classified as "Interfund Receivables" and "Interfund Payables".

**L. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the School District or 55 years of age or older. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**M. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension contributions that will be paid from governmental funds are reported as a liability in the general long-term debt account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. General obligation bonds and capital leases are reported as a liability of the general long-term debt account group until due.

Long-term obligations financed by proprietary funds are reported as liabilities in the proprietary fund.

**N. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**O. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory, contributions, property taxes, budget stabilization, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for contributions signifies the legal restrictions on the use of principal.

**P. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1992, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings. There was no change in contributed capital during fiscal year 1999.

**Q. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 3 - ACCOUNTABILITY**

At June 30, 1999, the Title I special revenue fund and Vocational Agriculture Grant capital project fund have deficit fund balances of \$96 and \$2,554 respectively, which were created by the application of generally accepted accounting principles. The deficit in the Title I and Vocational Agriculture Grant funds will be eliminated through transfers from the General fund; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Botkins Local School District are included in the special revenue funds for GAAP reporting purposes.
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING, (continued)**

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**Excess of Revenues and Other Financing Sources  
Over Expenditures and Other Financing Uses  
All Governmental Fund Types**

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
GAAP Basis	\$114,617	\$43,092	\$25,691	\$96,067
Revenue Accruals	(14,259)	(31,308)	(7,191)	776
Expenditure Accruals	23,007	25,137	0	(19,135)
Principal Retirement	(12,568)	0	0	0
Advances	(27,321)	0	0	27,321
Encumbrances	(66,661)	(20,346)	0	(39,680)
Budget Basis	<u>\$16,815</u>	<u>\$16,575</u>	<u>\$18,500</u>	<u>\$65,349</u>

**Net Loss/Excess of Revenues Under Expenses  
Proprietary Fund Type and Nonexpendable Trust Fund**

	<b>Enterprise</b>	<b>Nonexpendable Trust</b>
GAAP Basis	(\$2,125)	(\$326)
Revenue Accruals	(2,789)	9
Expense Accruals	(4,101)	0
Inventory of Supplies and Materials	74	0
Inventory Held for Resale	(463)	0
Prepays	(389)	0
Depreciation Expense	7,784	0
Encumbrances	(2,252)	0
Budget Basis	<u>(\$4,261)</u>	<u>(\$317)</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 5 - 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 that the Board of Education has identified as not required for use within the current two 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, 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 monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligation, 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.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

The "Cash and Cash Equivalents with Fiscal Agent" of \$4,363 shown in the special revenue funds is maintained with the Shelby County Educational Service Center. GASB statement 3 disclosures regarding this amount can be obtained from their annual report.

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$1,349,366 and the bank balance was \$1,416,255. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$1,216,255 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had no investments at year-end.

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

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

	<b>Cash and Cash Equivalents/ Deposits</b>	<b>Investments</b>
GASB Statement 9	\$1,323,729	\$30,000
Cash and Cash Equivalents with Fiscal Agents	(4,363)	0
Investments:		
Certificate of Deposit	30,000	(30,000)
GASB Statement 3	\$1,349,366	\$0

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 6 - 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, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Shelby 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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$40,441 in the general fund, \$970 in the special revenue fund, \$19,791 in the debt service fund and \$1,653 in the capital projects fund.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 6 - PROPERTY TAXES** (continued)

The assessed values upon which fiscal year 1999 taxes were collected are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$28,033,890	73.48%	\$27,914,170	71.44%
Public Utility	41,670	0.11	46,880	0.12
Tangible Personal Property	<u>10,072,477</u>	<u>26.41</u>	<u>11,111,915</u>	<u>28.44</u>
Total Assessed Value	<u><u>\$38,148,037</u></u>	<u><u>100.00%</u></u>	<u><u>\$39,072,965</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$36.65		\$36.65	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, accounts (student fees), accrued interest, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	
Drivers Education Reimbursement	<u>\$650</u>
Special Revenue Fund	
E-Rate Reimbursement	<u>4,141</u>
Enterprise Fund	
Federal School Lunch Reimbursement	<u>2,838</u>
Total Intergovernmental Receivables	<u><u>\$7,629</u></u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$110,522
Less Accumulated Depreciation	<u>(19,687)</u>
Net Fixed Assets	<u><u>\$90,835</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<b>Asset Category</b>	<b>Balance at 6/30/98</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 6/30/99</b>
Land and Improvements	\$37,889	\$0	\$0	\$37,889
Buildings and Improvements	5,326,713	0	0	5,326,713
Furniture, Fixtures and Equipment	781,903	113,208	31,433	863,678
Vehicles	168,044	0	0	168,044
Books	<u>183,814</u>	<u>16,796</u>	<u>16,256</u>	<u>184,354</u>
Totals	<u><u>\$6,498,363</u></u>	<u><u>\$130,004</u></u>	<u><u>\$47,689</u></u>	<u><u>6,580,678</u></u>

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for property and fleet insurance, liability and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$500 deductible)	15,000,000
Inland Marine Coverage (\$100 deductible)	114,628
Boiler and Machinery (\$1,000 deductible)	15,000,000
Crime Insurance (\$500 deductible)	7,500
Automobile Liability	2,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 9 - RISK MANAGEMENT** (continued)

**B. Workers' Compensation**

For fiscal year 1999, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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 percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" 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 CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$22,715, \$35,201 and \$43,156, respectively; 34.91 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$14,784 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term debt account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$88,027, \$157,435, and \$176,743, respectively; 80.29 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$17,353 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$117,369 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$26,674.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for certified personnel and 120 for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 30 days for classified employees and 45 days for certified employees.

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	<b>Amount Outstanding 6/30/98</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/99</b>
Building Addition				
Bond 1990 6.1%	\$300,000	\$0	\$95,000	\$205,000
Gym Addition				
Bond 1990 6.1%	1,520,000	0	85,000	1,435,000
Vehicle Loan				
Payable 1996 7.74%	2,857	0	2,857	0
Building Assistance				
Bond 1995 5.1%	645,000	0	35,000	610,000
Total Long-Term Bonds	2,467,857	0	217,857	2,250,000
Capital Leases Payable	25,341	0	9,711	15,630
Intergovernmental Payable	19,898	19,891	19,898	19,891
Compensated Absences	195,507	0	13,915	181,592
Total General Long-Term Obligations	<u>\$2,708,603</u>	<u>\$19,891</u>	<u>\$261,381</u>	<u>\$2,467,113</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

Botkins Building Addition and Gym General Obligation Bonds - Series A & B - On March 1, 1990, Botkins Local School District issued \$2,500,000 in voted general obligation bonds for the purpose of a building and gym addition. The bonds were issued for a twenty year period with final maturity at December 1, 2009. The bonds will be retired from the debt service fund.

Vehicle Loan - On February 16, 1996, Botkins Local School District entered into a loan to acquire a 1996 Plymouth Neon. The loan was issued for a three year period with final maturity in February, 1999. The loan was be retired from the general fund.

Building Assistance Bond - On January 15, 1995, Botkins Local School District issued \$750,000 in voted general obligation bonds for the purpose of the acquisition, construction, reconstruction and improvement of buildings and strictures and the acquisition of sites. The bonds were issued for a twenty-one year period with final maturity during fiscal year 2015. The loan will be retired from the debt service fund.

1995 School Facilities Loan - In fiscal year 1995, the School District received \$2,623,010 for construction and improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs. Generally, the School District repays the State for its contribution by levying an additional property tax of one-half mill for a twenty-three period. The School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$2,623,010 to the State because the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment to the State for facilities maintenance. As part of the process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires.

1995 School Facilities Loan - If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three period, the School District may become responsible for repayment of a portion of the State's contribution. Based on the School District's adjusted valuation relative to the state-wide median adjusted valuation, this possibility appears remote.

The intergovernmental payable and compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period. The capital lease will be paid from the general fund.

The School District's overall legal debt margin was \$1,667,080 with an unvoted debt margin of \$39,073 at June 30, 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire the general obligation debt and building assistance loan outstanding at June 30, 1999, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$225,000	\$149,349	\$374,349
2001	240,000	134,251	374,251
2002	140,000	121,609	261,609
2003	150,000	111,659	261,659
2004	155,000	101,134	256,134
2005-2009	895,000	322,108	1,217,108
2010-2014	320,000	73,087	393,087
2015-2018	125,000	16,447	141,447
Total	<u>\$2,250,000</u>	<u>\$1,029,644</u>	<u>\$3,279,644</u>

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

In the past, the School District has entered into capitalized leases for two copiers and musical equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements in the general fund. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of two copiers and musical equipment that have been capitalized in the general fixed assets account group in the amount of \$29,995. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term debt account group. Principal payments in fiscal year 1999 totaled \$9,711 in the general fund.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE** (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	Total
2000	\$11,177
2001	5,510
Total	16,687
Less: Amount Representing Interest	(1,057)
Total	\$15,630

**NOTE 15 - INTERFUND ACTIVITY**

As of June 30, 1999, there were receivables and payables that resulted from various interfund transactions. The general fund had an interfund receivable of \$28,684, and the playground fund, emergency building repair grant and vocational educational capital projects funds had interfund payables of \$10,000, \$14,130 and \$4,554, respectively.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

**Western Ohio Computer Organization** - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public school districts within the geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment for administrative and instructional functions among member school districts.

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid WOCO \$11,563 for services provided during the year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

**Southwestern Ohio Educational Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative 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 by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 1999, the School District paid \$10,793 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

***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. All superintendents except for those from educational service centers vote on the representatives after nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 1999, the School District paid \$3,353 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

***Shelby County Local Professional Development Consortium*** - The School District is a participant in the Shelby County Local Professional Development Consortium which is a regional council of governments in accordance with Chapter 167 of the Ohio Revised Code. The Consortium was established to provide educator license/certificate renewal standards and procedures for professional growth. The Consortium is made up of the public school districts and the educational service center in Shelby County.

The executive committee consists of one teacher representative from each of the school districts and the educational service center, one superintendent elected by the superintendents, one principal elected by the principals, one administrator employed by the Shelby County Educational Service Center and one treasurer elected by the treasurers. The School District had no financial transactions with the Consortium during fiscal year 1999. Financial information can be obtained from Louis Ivey, who serves as director, at 129 E. Court Street, Sidney, Ohio 45365.

***Botkins Joint Recreation Board*** - The School District is a participant in the Botkins Joint Recreation Board. The organization was formed for the purpose of acquiring and improving certain real property for use as a park, playground, and playfields. The jurisdiction of the Joint Recreation Board shall be the park commonly known as the Botkins Community Park.

The governing board consists of seven members which consist of two members from Botkins Village Council, one member from the Botkins School Board or appointed by the School Board and four at-large members who shall not be Village Council or School Board members and be appointed by the Mayor. The School District had no financial transactions with the Joint Recreation Board during fiscal year 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 17 - INSURANCE PURCHASING POOLS**

**Ohio School Board Association Workers' Compensation Group Rating Plan** - The School District participates in the Ohio School Board Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an three member Board of directors consisting of the president, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Shelby County Schools Consortium** - The Shelby County Consortium is a group purchasing pool among several local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The consortium acts together to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider Anthem and Community National Assurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating school district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow Street, Dayton, Ohio 45402.

**NOTE 18 - SCHOOL FUNDING COURT DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,897,815 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided loan money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$2,623,010 under this program. The terms of the debt are further described in Note 13 to these financial statements.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 19 - CONTINGENCIES**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**NOTE 20 - SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The School District also receives grant monies for school bus purchases. The balance of this grant is shown as a reserve for bus purchases.

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

	<b>Textbooks</b>	<b>Capital Acquisition</b>	<b>Budget Stabilization</b>	<b>Totals</b>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$16,713	\$16,713
Current Year Set-aside Requirement	42,400	42,400	21,200	106,000
Current Year Offsets	(9,513)	(44,207)	0	(53,720)
Qualifying Disbursements	(42,413)	(31,690)	0	(74,103)
Total	<u>(\$9,526)</u>	<u>(\$33,497)</u>	<u>\$37,913</u>	<u>(\$5,110)</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$37,913</u>	\$37,913
Amount restricted for School Bus Purchases				<u>30,172</u>
Total Restricted Assets				<u>\$68,085</u>

Although the School District had offsets and qualifying disbursements for textbooks, instructional materials and capital acquisitions during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 21 - CONTRACTUAL COMMITMENTS**

As of June 30, 1999, the District had contractual purchase commitments as follows:

<b>Company</b>	<b>Project</b>	<b>Contract Amount</b>
Schnippel Construction	Building Repairs General Contractor	\$149,225
Gast Plumbing & Heating	Building Repairs Plumbing	50,789
Botkins Electric & Plumbing	Building Repairs Electrical	27,130

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**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 1998**

	<b>GOVERNMENTAL FUND TYPES</b>			
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$347,336	\$56,024	\$382,014	\$220,792
Cash and Cash Equivalents With Fiscal Agent	0	5,372	0	11,683
Investments	0	20,000	0	0
Receivables:				
Property Taxes	754,455	17,774	372,421	30,198
Accounts	1,309	425	0	0
Intergovernmental	248	0	0	0
Accrued Interest	7,680	67	0	0
Interfund	1,363	0	0	0
Inventory of Supplies and Materials	12,697	0	0	0
Inventory Held for Resale	0	0	0	0
Prepaid Items	0	0	0	0
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalent:	16,713	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Debt	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$1,141,801</u></b>	<b><u>\$99,662</u></b>	<b><u>\$754,435</u></b>	<b><u>\$262,673</u></b>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$6,383	\$3,600	\$0	\$0
Contracts Payable	0	0	0	19,869
Retainage Payable	0	0	0	11,683
Accrued Wages Payable	230,978	0	0	0
Intergovernmental Payable	52,460	109	0	0
Interfund Payable	0	0	0	1,363
Due to Students	0	0	0	0
Deferred Revenue	728,113	17,087	359,822	27,769
Compensated Absences Payable	10,068	0	0	0
Capital Leases Payable	0	0	0	0
Vehicle Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b><u>1,028,002</u></b>	<b><u>20,796</u></b>	<b><u>359,822</u></b>	<b><u>60,684</u></b>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	29,834	2,400	0	31,335
Reserved for Inventory	12,697	0	0	0
Reserved for Property Taxes	26,709	687	12,599	2,429
Reserved for Donations for Nonexpendable Trust Fund	0	0	0	0
Reserved for Budget Stabilization	16,713	0	0	0
Unreserved:				
Undesignated	27,846	75,779	382,014	168,225
<b>Total Fund Equity and Other Credits</b>	<b><u>113,799</u></b>	<b><u>78,866</u></b>	<b><u>394,613</u></b>	<b><u>201,989</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$1,141,801</u></b>	<b><u>\$99,662</u></b>	<b><u>\$754,435</u></b>	<b><u>\$262,673</u></b>

*See Accompanying Notes to the General Purpose Financial Statements*

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	TRUST AND AGENCY			
\$13,676	\$40,926	\$0	\$0	\$1,060,768
0	0	0	0	17,055
0	10,000	0	0	30,000
0	0	0	0	1,174,848
0	2,533	0	0	4,267
78	0	0	0	326
0	0	0	0	7,747
0	0	0	0	1,363
444	0	0	0	13,141
5,916	0	0	0	5,916
831	0	0	0	831
0	0	0	0	16,713
98,619	0	6,498,363	0	6,596,982
0	0	0	394,613	394,613
0	0	0	2,313,990	2,313,990
<u>\$119,564</u>	<u>\$53,459</u>	<u>\$6,498,363</u>	<u>\$2,708,603</u>	<u>\$11,638,560</u>
\$0	\$0	\$0	\$0	\$9,983
0	0	0	0	19,869
0	0	0	0	11,683
5,425	0	0	0	236,403
8,796	0	0	19,898	81,263
0	0	0	0	1,363
0	40,127	0	0	40,127
3,828	0	0	0	1,136,619
1,980	0	0	195,507	207,555
0	0	0	25,341	25,341
0	0	0	2,857	2,857
0	0	0	2,465,000	2,465,000
<u>20,029</u>	<u>40,127</u>	<u>0</u>	<u>2,708,603</u>	<u>4,238,063</u>
0	0	6,498,363	0	6,498,363
88,149	0	0	0	88,149
11,386	0	0	0	11,386
0	0	0	0	63,569
0	0	0	0	12,697
0	0	0	0	42,424
0	11,700	0	0	11,700
0	0	0	0	16,713
0	1,632	0	0	655,496
<u>99,535</u>	<u>13,332</u>	<u>6,498,363</u>	<u>0</u>	<u>7,400,497</u>
<u>\$119,564</u>	<u>\$53,459</u>	<u>\$6,498,363</u>	<u>\$2,708,603</u>	<u>\$11,638,560</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	<u>GOVERNMENTAL FUND TYPES</u>				<u>TOTAL (MEMORANDUM ONLY)</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	
<b>Revenues:</b>					
Property Taxes	\$733,950	\$8,475	\$362,617	\$30,514	\$1,135,556
Intergovernmental	1,905,855	82,489	37,669	231,296	2,257,309
Interest	47,046	1,966	0	168	49,180
Tuition and Fees	32,649	0	0	0	32,649
Extracurricular Activities	0	119,682	0	0	119,682
Contributions and Donations	0	7,310	0	0	7,310
Miscellaneous	24,460	313	0	0	24,773
Total Revenues	<u>2,743,960</u>	<u>220,235</u>	<u>400,286</u>	<u>261,978</u>	<u>3,626,459</u>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	1,440,647	14,398	0	45,171	1,500,216
Special	143,028	41,189	0	0	184,217
Vocational	104,839	0	0	1,601	106,440
<b>Support Services:</b>					
Pupils	67,357	56,579	0	0	123,936
Instructional Staff	115,614	19,918	0	3,150	138,682
Board of Education	6,895	0	0	0	6,895
Administration	253,108	405	0	0	253,513
Fiscal	87,194	464	7,791	627	96,076
Business	109	0	0	0	109
Operation and Maintenance of Plant	245,592	0	0	0	245,592
Pupil Transportation	75,243	6,737	0	0	81,980
Central	671	5,000	0	0	5,671
Extracurricular Activities	75,201	59,895	0	0	135,096
Capital Outlay	29,995	0	0	68,411	98,406
<b>Debt Service:</b>					
Principal Retirement	8,664	0	205,000	0	213,664
Interest and Fiscal Charges	1,247	0	176,574	0	177,821
Total Expenditures	<u>2,655,404</u>	<u>204,585</u>	<u>389,365</u>	<u>118,960</u>	<u>3,368,314</u>
Excess of Revenues Over Expenditures	<u>88,556</u>	<u>15,650</u>	<u>10,921</u>	<u>143,018</u>	<u>258,145</u>
<b>Other Financing Sources (Uses):</b>					
Inception of Capital Lease	29,995	0	0	0	29,995
Proceeds from Sale of Fixed Assets	8	0	0	0	8
Operating Transfers In	0	0	0	16,103	16,103
Operating Transfers Out	0	0	(16,103)	0	(16,103)
Total Other Financing Sources (Uses)	<u>30,003</u>	<u>0</u>	<u>(16,103)</u>	<u>16,103</u>	<u>30,003</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	118,559	15,650	(5,182)	159,121	288,148
Fund Balances (Deficit) at Beginning of Year - Restated (Note 3)	(5,715)	63,216	399,795	42,868	500,164
Increase in Reserve for Inventory	955	0	0	0	955
Fund Balances at End of Year	<u>\$113,799</u>	<u>\$78,866</u>	<u>\$394,613</u>	<u>\$201,989</u>	<u>\$789,267</u>

See Accompanying Notes to the General Purpose Financial Statements

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Revenues:</b>						
Property Taxes	\$709,880	\$722,490	\$12,610	\$7,788	\$7,788	\$0
Intergovernmental	1,765,209	1,905,855	140,646	65,708	65,797	89
Interest	40,000	44,394	4,394	1,200	1,971	771
Tuition and Fees	25,500	32,456	6,956	0	0	0
Extracurricular Activities	0	0	0	80,800	119,257	38,457
Contributions and Donations	0	0	0	0	7,310	7,310
Miscellaneous	7,000	7,735	735	9,500	313	(9,187)
Total Revenues	<u>2,547,589</u>	<u>2,712,930</u>	<u>165,341</u>	<u>164,996</u>	<u>202,436</u>	<u>37,440</u>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	1,485,435	1,435,917	49,518	14,419	14,398	21
Special	146,180	138,401	7,779	37,686	37,686	0
Vocational	109,520	104,623	4,897	0	0	0
Adult/Continuing	1,725	0	1,725	0	0	0
Other	35,000	28,343	6,657	3,471	3,471	0
<b>Support Services:</b>						
Pupils	75,320	67,728	7,592	52,524	51,431	1,093
Instructional Staff	115,594	108,861	6,733	14,027	14,027	0
Board of Education	7,000	6,600	400	0	0	0
Administration	269,111	256,524	12,587	0	0	0
Fiscal	91,605	86,259	5,346	300	172	128
Operation and Maintenance of Plant	254,326	246,960	7,366	0	0	0
Pupil Transportation	102,624	74,733	27,891	7,700	6,752	948
Central	548	534	14	6,250	5,000	1,250
Operation of Non-Instructional Services	50	0	50	100	0	100
Extracurricular Activities	82,100	75,063	7,037	67,740	59,557	8,183
Capital Outlay	300	0	300	8,200	0	8,200
<b>Debt Service:</b>						
Principal Retirement	4,010	4,010	0	0	0	0
Interest and Fiscal Charges	391	391	0	0	0	0
Total Expenditures	<u>2,780,839</u>	<u>2,634,947</u>	<u>145,892</u>	<u>212,417</u>	<u>192,494</u>	<u>19,923</u>
Excess of Revenues Over (Under) Expenditures	<u>(233,250)</u>	<u>77,983</u>	<u>311,233</u>	<u>(47,421)</u>	<u>9,942</u>	<u>57,363</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	0	8	8	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Advances In	0	1,487	1,487	0	0	0
Advances Out	(2,850)	(2,850)	0	0	0	0
Refund of Prior Year Expenditures	0	16,724	16,724	0	0	0
Total Other Financing Sources (Uses)	<u>(2,850)</u>	<u>15,369</u>	<u>18,219</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(236,100)</u>	<u>93,352</u>	<u>329,452</u>	<u>(47,421)</u>	<u>9,942</u>	<u>57,363</u>
Fund Balances at Beginning of Year-Restate	210,545	210,545	0	55,520	55,520	0
Prior Year Encumbrances Appropriated	25,555	25,555	0	7,364	7,364	0
Fund Balances at End of Year	<u>\$0</u>	<u>\$329,452</u>	<u>\$329,452</u>	<u>\$15,463</u>	<u>\$72,826</u>	<u>\$57,363</u>

See Accompanying Notes to the General Purpose Financial Statements



DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$353,104	\$356,521	\$3,417	\$28,311	\$28,758	\$447
34,922	37,669	2,747	231,200	231,296	96
0	0	0	150	245	95
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>388,026</u>	<u>394,190</u>	<u>6,164</u>	<u>259,661</u>	<u>260,299</u>	<u>638</u>
0	0	0	56,194	53,967	2,227
0	0	0	0	0	0
0	0	0	2,660	2,660	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	14,380	8,746	5,634
0	0	0	0	0	0
100,000	0	100,000	0	0	0
283,641	7,791	275,850	1,000	628	372
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	91,743	78,353	13,390
205,000	205,000	0	0	0	0
176,574	176,574	0	0	0	0
<u>765,215</u>	<u>389,365</u>	<u>375,850</u>	<u>165,977</u>	<u>144,354</u>	<u>21,623</u>
<u>(377,189)</u>	<u>4,825</u>	<u>382,014</u>	<u>93,684</u>	<u>115,945</u>	<u>22,261</u>
0	0	0	0	0	0
0	0	0	16,000	16,103	103
(16,103)	(16,103)	0	0	0	0
0	0	0	2,850	2,850	0
0	0	0	(1,487)	(1,487)	0
0	0	0	2,600	6,039	3,439
<u>(16,103)</u>	<u>(16,103)</u>	<u>0</u>	<u>19,963</u>	<u>23,505</u>	<u>3,542</u>
(393,292)	(11,278)	382,014	113,647	139,450	25,803
393,292	393,292	0	7,792	7,792	0
0	0	0	40,981	40,981	0
<u>\$0</u>	<u>\$382,014</u>	<u>\$382,014</u>	<u>\$162,420</u>	<u>\$188,223</u>	<u>\$25,803</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	<u>PROPRIETARY FUND TYPE ENTERPRISE FUND</u>	<u>FIDUCIARY FUND TYPE NONEXPENDABLE TRUST FUND</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
<b>Operating Revenues:</b>			
Sales	\$114,435	\$0	\$114,435
Interest	0	630	630
Total Operating Revenues	<u>114,435</u>	<u>630</u>	<u>115,065</u>
<b>Operating Expenses:</b>			
Salaries and Wages	48,185	0	48,185
Fringe Benefits	20,041	0	20,041
Purchased Services	4,122	0	4,122
Cost of Sales	84,700	0	84,700
Other	0	500	500
Depreciation	7,771	0	7,771
Total Operating Expenses	<u>164,819</u>	<u>500</u>	<u>165,319</u>
Operating Income (Loss)	<u>(50,384)</u>	<u>130</u>	<u>(50,254)</u>
Non-Operating Revenues			
Federal and State Subsidies	26,699	0	26,699
Federal Donated Commodities	13,769	0	13,769
Total Non-Operating Revenues	<u>40,468</u>	<u>0</u>	<u>40,468</u>
Net Income (Loss)	(9,916)	130	(9,786)
Retained Earnings/Fund Balance at Beginning of Year - Restated	<u>21,302</u>	<u>13,202</u>	<u>34,504</u>
Retained Earnings/Fund Balance at End of Year	11,386	13,332	24,718
Contributed Capital at Beginning and End of Year	<u>88,149</u>	<u>0</u>	<u>88,149</u>
Total Fund Equity at End of Year	<u><u>\$99,535</u></u>	<u><u>\$13,332</u></u>	<u><u>\$112,867</u></u>

*See Accompanying Notes to the General Purpose Financial Statements*

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	PROPRIETARY FUND TYPE			FIDUCIARY FUND TYPE		
	ENTERPRISE FUND			NONEXPENDABLE TRUST FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Revenues:</b>						
Sales	\$110,500	\$114,435	\$3,935	\$0	\$0	\$0
Federal and State Subsidies	27,500	26,729	(771)	0	0	0
Interest	0	0	0	550	630	80
Contributions and Donations	0	0	0	0	0	0
Total Revenues	138,000	141,164	3,164	550	630	80
<b>Expenses:</b>						
Salaries and Wages	53,000	49,917	3,083	0	0	0
Fringe Benefits	19,500	18,964	536	0	0	0
Purchased Services	6,280	3,801	2,479	0	0	0
Materials and Supplies	72,529	71,546	983	0	0	0
Other	0	0	0	1,500	500	1,000
Capital Outlay	3,000	0	3,000	0	0	0
Total Expenses	154,309	144,228	10,081	1,500	500	1,000
Excess of Revenues Over (Under) Expenses	(16,309)	(3,064)	13,245	(950)	130	1,080
Fund Equity at Beginning of Year-Restatec	16,229	16,229	0	13,202	13,202	0
Prior Year Encumbrances Appropriated	80	80	0	0	0	0
Fund Equity at End of Year	\$0	\$13,245	\$13,245	\$12,252	\$13,332	\$1,080

*See Accompanying Notes to the General Purpose Financial Statements*

**COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND AND SIMILIAR FIDUCIARY FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	<u>ENTERPRISE FUND</u>	<u>NONEXPENDABLE TRUST FUND</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$114,435	\$0	\$114,435
Cash Payments for Employee Services and Benefits	(68,881)	0	(68,881)
Cash Payments to Suppliers for Goods and Services	(74,921)	0	(74,921)
Other Operating Expenses	0	(500)	(500)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>(29,367)</u>	<u>(500)</u>	<u>(29,867)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Federal and State Subsidies	26,729	0	26,729
<b>Cash Flows from Investing Activities:</b>			
Interest	0	630	630
<b>Cash Used In Investing Activities</b>	<u>0</u>	<u>630</u>	<u>630</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(2,638)	130	(2,508)
<b>Cash and Cash Equivalents at Beginning of Year - Restated</b>	<u>16,314</u>	<u>3,202</u>	<u>19,516</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$13,676</u></u>	<u><u>\$3,332</u></u>	<u><u>\$17,008</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</b>			
Operating Income (Loss)	(\$50,384)	\$130	(\$50,254)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</b>			
Depreciation	7,771	0	7,771
Donated Commodities Received	13,769	0	13,769
Nonexpendable Trust Fund Interest	0	(630)	(630)
<b>Changes in Assets and Liabilities:</b>			
Increase in Supplies Inventory	(171)	0	(171)
Increase in Inventory Held for Resale	(199)	0	(199)
Increase in Prepays	(159)	0	(159)
Decrease in Accounts Payable	(66)	0	(66)
Increase in Accrued Salaries Payable	690	0	690
Increase in Intergovernmental Payable	583	0	583
Decrease in Compensated Absences Payable	(1,201)	0	(1,201)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u><u>(\$29,367)</u></u>	<u><u>(\$500)</u></u>	<u><u>(\$29,867)</u></u>
<b>Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet</b>			
Cash and Cash Equivalents-All Fiduciary Funds		\$40,926	
Cash and Cash Equivalents-Agency Fund		(37,594)	
Cash and Cash Equivalents-Nonexpendable Trust Fund		<u>\$3,332</u>	

See Accompanying Notes to the General Purpose Financial Statements

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1998**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Botkins Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies.

The School District is the 580th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 22 non-certificated employees, 41 certificated full-time teaching personnel and 2 administrative employees who provide services to 654 students and other community members. The School District currently operates 1 instructional/support building.

**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 of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Botkins Local School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District does not have any component units.

The School District is associated with six organizations, four of which are defined as jointly governed organizations and two which are insurance purchasing pools. These organizations are presented in Notes 17 and 18 to the general purpose financial statements. These organizations are:

**Jointly Governed Organizations:**

- Western Ohio Computer Organization
- Southwestern Ohio Educational Purchasing Cooperative
- Southwestern Ohio Instructional Technology Association
- Shelby County Local Professional Development Consortium

**Insurance Purchasing Pools:**

- Ohio School Boards Association Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1998

(Continued)

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. 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 recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

#### Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

**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.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund** - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs.

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1998**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Proprietary Fund Type:**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Enterprise Fund** - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include nonexpendable trust and agency funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group** - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

**General Long-Term Obligations Account Group** - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The enterprise and nonexpendable trust funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1998**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, interest, interfund, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1998, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 1999 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the enterprise and nonexpendable trust funds. Revenues are recognized when earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The Eisenhower and preschool special revenue fund's grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

***Tax Budget:***

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Shelby County Budget Commission for rate determination.



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1998**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Budgetary Process (continued)**

***Estimated Resources:***

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year.

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1998.

***Appropriations:***

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

***Encumbrances:***

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

***Lapsing of Appropriations:***

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1998**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, except the nonexpendable trust funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 1998, investments were limited to certificates of deposit and repurchase agreements which are reported at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1998 amounted to \$47,046, which includes \$2,195 assigned from other School District funds. Special revenue, capital projects and nonexpendable trust funds received interest of \$1,966, \$168 and \$630, respectively.

The School District utilizes a financial institution to hold retainage on construction contracts. The balances in these accounts are presented on the combined balance sheet as "cash and cash equivalents with fiscal agent" and represents deposits. In addition, the balance of various grant activity administered by the fiscal agent is presented on combined balance sheet as "cash and cash equivalents with fiscal agent" and represents deposits.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of the proprietary fund are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory of proprietary fund consists of donated food, purchased food, and non-food supplies which are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1998, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three hundred dollars. The School District does not possess any infrastructure.

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1998

(Continued)

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of five to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

#### H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the School District received a \$16,713 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. This refund is presented as "miscellaneous" revenue in the accompanying financial statements. A fund balance reserve has also been established.

#### I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

##### Entitlements

###### *General Fund*

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

##### Non-Reimbursable Grants

###### *Special Revenue Funds*

- Education Management Information Systems
- Textbooks/Instructional Materials Subsidy
- Title I
- Title VI
- Title VI-B
- Professional Development Block Grant
- School Net Professional Development
- Eisenhower
- Preschool Handicap Grant

###### *Capital Projects Funds*

- School Net Plus
- Emergency Repairs Grant
- Technology Equity
- Building Assistance

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

**JUNE 30, 1998**

**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Reimbursable Grants**

***General Fund***

Driver Education

***Capital Project***

Vocational Agriculture Equipment Grant

***Proprietary Fund***

National School Lunch Program

Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 62 percent of governmental fund revenue during the 1998 fiscal year.

**J. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables/payables".

**K. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after fifteen years of current service with the School District or 55 years of age or older.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

**L. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Bonds, capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term obligations financed by the proprietary fund are reported as liabilities in the appropriate proprietary fund.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1998**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**M. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**N. Fund Balance Reserves**

The School District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, inventory, donations for the nonexpendable trust fund that must be kept intact, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents the refund the School District received from the Bureau of Workers' Compensation.

**O. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise fund that is not subject to repayment. These assets are recorded at their fair market value on the date donated.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1992, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings. There was no change in contributed capital during fiscal year 1998.

**P. Estimates**

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

**Q. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1998**  
**(Continued)**

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENTS**

For fiscal year 1998, the School District has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The statement established accounting and reporting guidelines for government investments and investment pools. Certain types of investments which were reported at cost in previous years are now required to be reported at fair value. The implementation of this statement required no change from prior years.

The School District restated the fund balance for special revenue funds \$18,532, from \$44,684 to \$63,216. Of the restatement, \$1,569 was for cash and cash equivalents with fiscal agents that relates to grant activity with the Shelby County Educational Service Center and an immaterial adjustment to cash. The remaining restatement amount of \$16,963 was for the reclassification of trust fund activity to the Special Revenue fund type. The effect of this change was to increase "excess of revenues and other financing sources over (under) expenditures" to \$26,323 from \$7,791 as previously reported for the year ended June 30, 1997.

The reclassification of this trust fund activity also resulted in a corresponding restatement of fund balance for the Nonexpendable Trust fund type for \$16,963 from \$30,165 to \$13,202. The effect of this change was to decrease net income to (\$11,281) from \$5,682 as previously reported for the year ended June 30, 1997.

In addition, the School District restated fixed assets in the general fixed assets account group \$2,751,328, from \$9,175,809 to \$6,424,481. The restatement was to adjust the value of several assets from fair market value to historical cost.

**NOTE 4 - ACCOUNTABILITY**

At June 30, 1998, the Title I special revenue fund and Vocational Agriculture Grant capital project fund have deficit fund balances of \$107 and \$1,363 respectively, which were created by the application of generally accepted accounting principles. The deficit in the Title I and Vocational Agriculture Grant fund will be eliminated through transfers from the General fund; however, this is done when cash is needed rather than when accruals occur.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Enterprise Fund and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1998**  
**(Continued)**

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** (continued)

4. The School District does not budget for the activities of the various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent are included in the special revenue funds for GAAP reporting purposes.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$118,559	\$15,650	(\$5,182)	\$159,121
Revenue Accruals	(14,306)	(17,799)	(6,096)	4,360
Advances In	1,487	0	0	2,850
Advances Out	(2,850)	0	0	(1,487)
Non-budgeted funds	0	(907)	0	0
Expenditure Accruals	25,059	16,196	0	7,175
Encumbrances	(34,597)	(3,198)	0	(32,569)
Budget Basis	<u>\$93,352</u>	<u>\$9,942</u>	<u>(\$11,278)</u>	<u>\$139,450</u>

**Net Income (Loss)/Excess of Revenues Over (Under) Expenses  
Enterprise Fund and Nonexpendable Trust Fund**

	<u>Enterprise</u>	<u>Nonexpendable Trust</u>
GAAP Basis	(\$9,916)	\$130
Revenue Accruals	30	0
Expense Accruals	(1,047)	0
Inventory	171	0
Inventory Held for Resale	199	0
Prepays	159	0
Depreciation Expense	7,771	0
Encumbrances	(431)	0
Budget Basis	<u>(\$3,064)</u>	<u>\$130</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1998**  
**(Continued)**

**NOTE 6 - 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 that the Board of Education has identified as not required for use within the current two 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 monies deposited with the institution.

Interim monies are permitted to 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. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).



## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1998

(Continued)

### NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligation, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The "cash and cash equivalents with fiscal agent" of \$5,372 shown in the special revenue funds is maintained by the Shelby County Educational Service Center. GASB 3 disclosures regarding this amount can be obtained from their annual report.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements".

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$464,157 and the bank balance was \$413,827. Of the bank balance:

1. \$218,929 was covered by federal depository insurance
2. \$194,898 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the FDIC.

**Investments:** The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

The School District's only investment at year end was a repurchase agreement. It is a Category 3 investment, with a carrying value and a market value of \$655,007.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

**JUNE 30, 1998**

**(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$1,094,536	\$30,000
Cash with Shelby County Educational Service Center	(5,372)	0
Investments:		
Repurchase Agreement	(655,007)	655,007
Certificate of Deposit	30,000	(30,000)
GASB Statement 3	<u>\$464,157</u>	<u>\$655,007</u>

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

The assessed values upon which fiscal year 1998 taxes were collected are:

	<u>1997 Second- Half Collections</u>		<u>1998 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$25,856,490	74.37%	\$28,033,890	73.48%
Public Utility	37,960	0.11	41,670	0.11
Tangible Personal Property	<u>8,874,380</u>	<u>25.52</u>	<u>10,072,477</u>	<u>26.41</u>
Total Assessed Value	<u>\$34,768,830</u>	<u>100.00%</u>	<u>\$38,148,037</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.65		\$36.65	

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1998**  
**(Continued)**

**NOTE 7 - PROPERTY TAXES** (continued)

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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Shelby 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, 1998, are available to finance fiscal year 1998 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1998. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1998, was \$26,709 in the general fund, \$687 in the special revenue fund, \$12,599 in the debt service fund and \$2,429 in the capital projects fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 1998, consisted of property taxes, intergovernmental grants, accounts (student fees), interfund and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 1998, follows:

Furniture and Equipment	\$110,522
Less Accumulated Depreciation	<u>(11,903)</u>
Net Fixed Assets	<u><u>\$98,619</u></u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1998**  
**(Continued)**

**NOTE 9 - FIXED ASSETS** (continued)

A summary of the changes in general fixed assets during fiscal year 1998 follows:

<u>Asset Category</u>	<u>Restated Balance at 6/30/97</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/98</u>
Land and Improvements	\$37,889	\$0	\$0	\$37,889
Buildings and Improvements	5,326,713	0	0	5,326,713
Furniture, Fixtures and Equipment	708,521	89,387	16,005	781,903
Vehicles	168,044	0	0	168,044
Books	183,314	500	0	183,814
Total General Fixed Assets	<u>\$6,424,481</u>	<u>\$89,887</u>	<u>\$16,005</u>	<u>\$6,498,363</u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1998, the School District contracted with Nationwide for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$12,650,900
Inland Marine Coverage (\$500 deductible)	114,628
Boiler and Machinery (\$1,000 deductible)	12,050,900
Crime Insurance (\$500 deductible)	7,500
Automobile Liability	2,000,000
Uninsured Motorists	250,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

For fiscal year 1998, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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 percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" 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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1998

(Continued)

### NOTE 11 - DEFINED BENEFIT PENSION PLANS

#### A. School Employees Retirement System

The Botkins Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement benefits, disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Botkins Local School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1998, 9.02 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS's Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$35,201, \$43,156, and \$35,275, respectively, 48.03 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$18,293 representing the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds and the general long-term obligations account group.

#### B. State Teachers Retirement System

The Botkins Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Botkins Local School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$157,435, \$176,743, and \$165,182, respectively, 82.80 percent has been contributed for fiscal year 1998 and 100 percent for fiscal years 1997 and 1996. \$27,078 representing the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds.

#### C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1998, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1998**  
**(Continued)**

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefits recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the School District, this amount equaled \$52,478 during 1998.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$1,860 million at June 30, 1997. For the year ended June 30, 1997, net health care costs paid by STRS were \$192,077,000 and STRS had 88,718 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 3.5 percent for fiscal year 1997. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1997, were \$97,429,197 and the target level was \$121.8 million. At June 30, 1997, SERS had net assets available for payment of health care benefits of \$146.4 million. SERS has approximately 48,200 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$24,692 during the 1998 fiscal year.

**NOTE 13 - EMPLOYEE BENEFITS**

**Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all certified personnel and 120 for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 30 days for classified employees and 45 days for certified employees.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1998**  
**(Continued)**

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1997 were as follows:

	<u>Principal Outstanding 6/30/97</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/98</u>
Building Addition Bond 1990 6.1%	\$390,000	\$0	\$90,000	\$300,000
Gym Addition Bond 1990 6.1%	1,600,000	0	80,000	1,520,000
Vehicle Loan Payable 1996 7.74%	6,867	0	4,010	2,857
Building Assistance Bond 1995 5.1%	680,000	0	35,000	645,000
Total Long-Term Bonds and Loans	2,676,867	0	209,010	2,467,857
Capital Lease Payable	0	29,995	4,654	25,341
Intergovernmental Payable	22,875	19,898	22,875	19,898
Compensated Absences	191,819	3,688	0	195,507
Total General Long-Term Obligations	<u>\$2,891,561</u>	<u>\$53,581</u>	<u>\$236,539</u>	<u>\$2,708,603</u>

*Botkins Building Addition and Gym General Obligation Bonds - Series A & B* - On March 1, 1990, Botkins Local School District issued \$2,500,000 in voted general obligation bonds for the purpose of a building and gym addition. The bonds were issued for a twenty year period with final maturity at December 1, 2009. The bonds will be retired from the debt service fund.

*Vehicle Loan* - On February 16, 1996, Botkins Local School District entered into a loan to acquire a 1996 Plymouth Neon. The loan was issued for a three year period with final maturity in February, 1999. The loan will be retired from the general fund.

*Building Assistance Bond* - On January 15, 1995, Botkins Local School District issued \$750,000 in voted general obligation bonds for the purpose of the acquisition, construction, reconstruction and improvement of buildings and structures and the acquisition of sites. The bonds were issued for a twenty-one year period with final maturity during fiscal year 2015. The loan will be retired from the debt service fund.

*1995 School Facilities Loan* - In fiscal year 1995, the School District received \$2,623,010 for construction and improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs. Generally, the School District repays the State for its contribution by levying an additional property tax of one-half mill for a twenty-three period. The School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$2,623,010 to the State because the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment to the State for facilities maintenance. As part of the process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1998**  
**(Continued)**

**NOTE 14 - LONG-TERM OBLIGATIONS, (continued)**

*1995 School Facilities Loan* - If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three period, the School District may become responsible for repayment of a portion of the State's contribution. Based on the School District's adjusted valuation relative to the state-wide median adjusted valuation, this possibility appears remote.

Compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contribution paid outside the available period and will be paid from the fund from which the person is paid. The capital lease will be paid from the general fund.

The School District's voted legal debt margin was \$1,362,936 with an unvoted debt margin of \$38,148 at June 30, 1998.

Principal and interest requirements to retire general obligation debt and building assistance bond outstanding at June 30, 1998, are as follows:

<b>Fiscal year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
1999	\$215,000	\$163,394	\$378,394
2000	225,000	149,349	374,349
2001	240,000	134,251	374,251
2002	140,000	121,609	261,609
2003	150,000	111,659	261,659
2004-2008	855,000	385,241	1,240,241
2009-2013	490,000	101,845	591,845
2014-2018	150,000	25,690	175,690
Total	<u>\$2,465,000</u>	<u>\$1,193,038</u>	<u>\$3,658,038</u>

Principal and interest requirements to retire the vehicle loan outstanding at June 30, 1998, are as follows:

<b>Fiscal year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
1999	\$2,857	\$84	\$2,941

**NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE**

The School District has entered into capitalized leases for various equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. New capital leases are reflected in the accounts "capital outlay" and "inception of capital lease" in the fund which will be making the lease payment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

**JUNE 30, 1998**

**(Continued)**

**NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE** (continued)

General fixed assets have been capitalized in the general fixed asset account group of \$29,995. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1998 totaled \$4,654 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1998.

<u>Fiscal year Ending June 30,</u>	<u>Total</u>
1999	\$11,177
2000	11,177
2001	<u>5,510</u>
Total	27,864
Less: Amount Representing Interest	<u>(2,523)</u>
Total	<u><u>\$25,341</u></u>

**NOTE 16 - INTERFUND TRANSACTIONS**

As of June 30, 1998, the general fund had a short-term loan to the vocational education capital projects fund of \$1,363.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**Western Ohio Computer Organization** - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public school districts within the geographic area determined by the Ohio Department of Education. 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 WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid WOCO \$9,661 for services provided during the year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

**Southwestern Ohio Educational Purchasing Cooperative** - The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the fiscal agent for the group. The purpose of the cooperative 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 by the fiscal agent. 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 during fiscal year 1998 were \$744 and were made from the General Fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1998

(Continued)

### NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (continued)

***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 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, ie., 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. All superintendents except those from the ESC vote on the representatives after nominating committee nominates individuals to run.

One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area. All members are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets are distributed to the federal government, or to a state or local government, for a public purpose. During fiscal year 1998, the School District paid \$2,758 to SOITA. Information can be obtained from Steve Strouse, Director, at 105 East Sixth Street, Franklin, Ohio 45005.

***Shelby County Local Professional Development Consortium*** - The School District is a participant in the Shelby County Local Professional Development Consortium which is a regional council of governments in accordance with Chapter 167 of the Ohio Revised Code. The Consortium was established to provide educator license/certificate renewal standards and procedures for professional growth. The Consortium is made up of the public school districts and the educational service center in Shelby County.

The executive committee consists of one teacher representative from each of the school districts and the educational service center, one superintendent elected by the superintendents, one principal elected by the principals, one administrator employed by the Shelby County Educational Service Center and one treasurer elected by the treasurers. The School District paid the Consortium \$547 for services provided during the year. Financial information can be obtained from Louis Ivey, who serves as director, at 129 E. Court Street, Sidney, Ohio 45365.

### NOTE 18 - INSURANCE PURCHASING POOLS

***Ohio School Boards Association Workers' Compensation Group Rating Plan*** - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

***Shelby County Schools Consortium*** - The Shelby County Schools Consortium is a group purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently.

## **NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

**JUNE 30, 1998**

**(Continued)**

### **NOTE 18 - INSURANCE PURCHASING POOLS (continued)**

Each school district pays monthly premiums to the provider Anthem and Community National Assurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating school district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. In fiscal year 1998, Botkins Local School District contributed \$148,434. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow Street, Dayton, Ohio 45402.

### **NOTE 19 - SCHOOL FUNDING COURT DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amount of monetary support to the School District. During the fiscal year ended June 30, 1998, the School District received \$1,681,176 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided loan money to build schools and furnish classrooms. As of June 30, 1998, the School District had received a total of \$2,623,010 under this program. The terms of this debt are further described in Note 14 to these financial statement.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and determined whether they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The decision made by the Court of Common Pleas is likely to be appealed.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program on its financial operations.

### **NOTE 20 - CONTINGENCIES**

#### **Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1998.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Botkins Local School District  
Shelby County  
P. O. Box 550  
208 N. Sycamore Street  
Botkins, Ohio 45306

To the Board of Education:

We have audited the financial statements of the Botkins Local School District, Shelby County (the District), as of and for the years ended June 30, 1999 and June 30, 1998, and have issued our report thereon dated January 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 7, 2000.

Botkins Local School District  
Shelby County  
Report of Independent Accountants on Compliance and On  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**JIM PETRO**  
Auditor of State

January 7, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

**BOTKINS LOCAL SCHOOL DISTRICT**

**SHELBY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 14, 2000**