



**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Bethel Local School District
Miami County
7490 South State Route 201
Tipp City, Ohio 45371

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Bethel Local School District, Miami County (the District) as of and for the years ended June 30, 2000 and 1999, 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 Bethel Local School District, Miami County, as of June 30, 2000 and 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2001 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

JIM PETRO
Auditor of State

January 31, 2001

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**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$186,244	\$85,697	\$616	\$146,084
Cash and Cash Equivalents with Fiscal Agents	0	3,508	0	0
Investments	0	0	0	0
Receivables:				
Property Taxes	2,797,778	0	0	372,264
Accounts	7,901	0	0	0
Intergovernmental	1,750	1,167	0	0
Accrued Interest	0	0	0	0
Prepaid Items	5,575	0	0	0
Inventory of Supplies and Materials	15,890	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	84,843	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 Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$3,099,981</u>	<u>\$90,372</u>	<u>\$616</u>	<u>\$518,348</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$28,647	\$4,737	\$0	\$14,042
Contracts Payable	0	0	0	10,455
Retainage Payable	0	0	0	4,632
Accrued Wages and Benefits Payable	308,781	7,904	0	0
Intergovernmental Payable	99,248	9,814	0	0
Due to Students	0	0	0	0
Deferred Revenue	2,721,903	0	0	367,496
Accrued Interest Payable	1,596	0	0	0
Compensated Absences Payable	3,342	0	0	0
Notes Payable	398,250	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>3,561,767</u>	<u>22,455</u>	<u>0</u>	<u>396,625</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	41,596	16,313	0	34,713
Reserved for Property Taxes	76,564	0	0	4,768
Reserved for Inventory of Supplies and Materials	15,890	0	0	0
Reserved for Textbooks and Instructional Materials	17,646	0	0	0
Reserved for Budget Stabilization	67,197	0	0	0
Reserved for Contributions	0	0	0	0
Unreserved, Undesignated (Deficit)	(680,679)	51,604	616	82,242
Total Fund Equity (Deficit) and Other Credits	<u>(461,786)</u>	<u>67,917</u>	<u>616</u>	<u>121,723</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,099,981</u>	<u>\$90,372</u>	<u>\$616</u>	<u>\$518,348</u>

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			
\$31,556	\$45,762	\$0	\$0	\$495,959
0	0	0	0	3,508
0	0	0	0	0
0	0	0	0	3,170,042
101	0	0	0	8,002
2,257	0	0	0	5,174
0	0	0	0	0
0	0	0	0	5,575
890	0	0	0	16,780
7,742	0	0	0	7,742
0	0	0	0	84,843
19,673	0	3,941,015	0	3,960,688
0	0	0	616	616
0	0	0	295,726	295,726
<u>\$62,219</u>	<u>\$45,762</u>	<u>\$3,941,015</u>	<u>\$296,342</u>	<u>\$8,054,655</u>
\$1,562	\$0	\$0	\$0	\$48,988
0	0	0	0	10,455
0	0	0	0	4,632
10,466	0	0	0	327,151
19,718	0	0	43,624	172,404
0	20,496	0	0	20,496
3,869	0	0	0	3,093,268
0	0	0	0	1,596
617	0	0	228,718	232,677
0	0	0	0	398,250
0	0	0	24,000	24,000
<u>36,232</u>	<u>20,496</u>	<u>0</u>	<u>296,342</u>	<u>4,333,917</u>
0	0	3,941,015	0	3,941,015
25,987	0	0	0	25,987
0	0	0	0	92,622
0	0	0	0	81,332
0	0	0	0	15,890
0	0	0	0	17,646
0	0	0	0	67,197
0	22,880	0	0	22,880
0	2,386	0	0	(543,831)
<u>25,987</u>	<u>25,266</u>	<u>3,941,015</u>	<u>0</u>	<u>3,720,738</u>
<u>\$62,219</u>	<u>\$45,762</u>	<u>\$3,941,015</u>	<u>\$296,342</u>	<u>\$8,054,655</u>

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
Revenues:					
Property Taxes	\$2,570,816	\$0	\$0	\$270,753	\$2,841,569
Intergovernmental	2,005,865	115,768	0	20,059	2,141,692
Interest	21,264	0	0	3,478	24,742
Tuition and Fees	57,757	5,151	0	0	62,908
Rent	1,097	0	0	0	1,097
Extracurricular Activities	0	143,510	0	0	143,510
Gifts and Donations	0	12,686	0	0	12,686
Miscellaneous	22,212	12,104	0	0	34,316
Total Revenues	<u>4,679,011</u>	<u>289,219</u>	<u>0</u>	<u>294,290</u>	<u>5,262,520</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,029,965	46,206	0	14,776	2,090,947
Special	340,503	38,124	0	0	378,627
Support Services:					
Pupils	91,869	61,431	0	0	153,300
Instructional Staff	134,271	10,234	0	18,658	163,163
Board of Education	24,556	0	0	0	24,556
Administration	464,150	1,923	0	0	466,073
Fiscal	191,726	0	0	3,171	194,897
Business	45,462	331	0	0	45,793
Operation and Maintenance of Plant	380,250	75	0	77,974	458,299
Pupil Transportation	344,849	0	0	65,166	410,015
Central	19,432	6,687	0	0	26,119
Non-Instructional Services	0	500	0	260	760
Extracurricular Activities	115,481	155,221	0	0	270,702
Capital Outlay	89,062	0	0	111,374	200,436
Debt Service:					
Principal Retirement	193,000	0	0	0	193,000
Interest and Fiscal Charges	36,759	0	0	0	36,759
Total Expenditures	<u>4,501,335</u>	<u>320,732</u>	<u>0</u>	<u>291,379</u>	<u>5,113,446</u>
Excess of Revenues Over (Under)					
Expenditures	177,676	(31,513)	0	2,911	149,074
Fund Balances (Deficit) at Beginning of Year	(655,352)	99,430	616	118,812	(436,494)
Increase in Reserve for Inventory	15,890	0	0	0	15,890
Fund Balances (Deficit) at End of Year	<u>(\$461,786)</u>	<u>\$67,917</u>	<u>\$616</u>	<u>\$121,723</u>	<u>(\$271,530)</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**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, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$2,602,918	\$2,602,724	(\$194)	\$0	\$0	\$0
Intergovernmental	2,004,597	2,004,115	(482)	167,811	167,811	0
Interest	25,000	21,264	(3,736)	0	0	0
Tuition and Fees	53,267	52,806	(461)	5,151	5,151	0
Rent	1,097	1,097	0	0	0	0
Extracurricular Activities	0	0	0	144,352	143,510	(842)
Gifts and Donations	0	0	0	12,686	12,686	0
Miscellaneous	18,880	19,946	1,066	14,581	12,769	(1,812)
Total Revenues	4,705,759	4,701,952	(3,807)	344,581	341,927	(2,654)
Expenditures:						
Current:						
Instruction:						
Regular	2,048,149	2,047,430	719	43,420	43,420	0
Special	321,518	321,023	495	39,788	39,788	0
Other	43,675	43,675	0	0	0	0
Support Services:						
Pupils	94,437	92,806	1,631	73,695	64,012	9,683
Instructional Staff	139,199	138,255	944	10,080	8,032	2,048
Board of Education	28,885	28,782	103	0	0	0
Administration	469,704	464,323	5,381	2,075	1,923	152
Fiscal	190,569	190,567	2	0	0	0
Business	47,600	45,647	1,953	400	331	69
Operation and Maintenance of Plant	405,728	403,996	1,732	75	75	0
Pupil Transportation	360,763	360,355	408	0	0	0
Central	21,829	20,192	1,637	10,024	6,687	3,337
Non-Instructional Services	0	0	0	500	500	0
Extracurricular Activities	117,503	115,606	1,897	187,542	170,846	16,696
Capital Outlay	97,524	96,367	1,157	0	0	0
Debt Service:						
Principal Retirement	325,750	325,750	0	0	0	0
Interest and Fiscal Charges	36,350	35,163	1,187	0	0	0
Total Expenditures	4,749,183	4,729,937	19,246	367,599	335,614	31,985
Excess of Revenues Over (Under) Expenditures	(43,424)	(27,985)	15,439	(23,018)	6,313	29,331
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	0	254	254	75	75	0
Refund of Prior Year Receipts	(3,000)	0	3,000	0	0	0
Advances In	53,522	53,522	0	0	0	0
Advances Out	(20,000)	0	20,000	(53,522)	(53,522)	0
Total Other Financing Sources (Uses)	30,522	53,776	23,254	(53,447)	(53,447)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Us	(12,902)	25,791	38,693	(76,465)	(47,134)	29,331
Fund Balances at Beginning of Year	121,799	121,799	0	76,107	76,107	0
Prior Year Encumbrances Appropriated	49,581	49,581	0	26,232	26,232	0
Fund Balances at End of Year	\$158,478	\$197,171	\$38,693	\$25,874	\$55,205	\$29,331

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)
\$0	\$0	\$0	\$281,902	\$280,101	(\$1,801)
0	0	0	20,059	20,059	0
0	0	0	3,478	3,478	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	0	305,439	303,638	(1,801)
0	0	0	14,836	14,776	60
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	18,658	18,658	0
0	0	0	0	0	0
0	0	0	1,000	0	1,000
0	0	0	3,171	3,171	0
0	0	0	0	0	0
0	0	0	98,998	98,996	2
0	0	0	74,645	65,166	9,479
0	0	0	0	0	0
0	0	0	260	260	0
0	0	0	0	0	0
0	0	0	118,055	115,454	2,601
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	329,623	316,481	13,142
0	0	0	(24,184)	(12,843)	11,341
0	0	0	1,000	1,000	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,000	1,000	0
0	0	0	(23,184)	(11,843)	11,341
616	616	0	77,785	77,785	0
0	0	0	20,941	20,941	0
\$616	\$616	\$0	\$75,542	\$86,883	\$11,341

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$189,842	\$0	\$189,842
Tuition	68,850	0	68,850
Interest	0	1,313	1,313
Gifts and Donations	0	693	693
Other Revenue	1,839	0	1,839
Total Operating Revenues	<u>260,531</u>	<u>2,006</u>	<u>262,537</u>
Operating Expenses:			
Salaries and Wages	100,523	0	100,523
Fringe Benefits	39,968	0	39,968
Purchased Services	12,126	0	12,126
Supplies and Materials	15,004	0	15,004
Cost of Sales	119,295	0	119,295
Depreciation	3,142	0	3,142
Other	3,748	18,225	21,973
Total Operating Expenses	<u>293,806</u>	<u>18,225</u>	<u>312,031</u>
Operating Loss	<u>(33,275)</u>	<u>(16,219)</u>	<u>(49,494)</u>
Non-Operating Revenues:			
Interest	303	0	303
Federal and State Subsidies	16,790	0	16,790
Federal Donated Commodities	20,613	0	20,613
Total Non-Operating Revenues	<u>37,706</u>	<u>0</u>	<u>37,706</u>
Net Loss	4,431	(16,219)	(11,788)
Retained Earnings/Fund Balance at Beginning of Year	<u>21,556</u>	<u>41,485</u>	<u>63,041</u>
Retained Earnings/Fund Balance at End of Year	<u>\$25,987</u>	<u>\$25,266</u>	<u>\$51,253</u>

See Accompanying Notes to the General Purpose Financial Statements.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$258,781	\$0	\$258,781
Other Operating Revenues	1,839	0	1,839
Cash Received from Gifts and Donations	0	693	693
Cash Payments for Employee Services and Benefits	(135,820)	0	(135,820)
Cash Payments to Suppliers for Goods and Services	(127,302)	0	(127,302)
Other Operating Expenses	(3,748)	(18,225)	(21,973)
Net Cash Used For Operating Activities	(6,250)	(17,532)	(23,782)
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies Received	17,313	0	17,313
Net Cash Provided By Noncapital Financing Activities	17,313	0	17,313
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(595)	0	(595)
Net Cash Used For Capital and Related Financing Activities	(595)	0	(595)
Cash Flows from Investing Activities:			
Interest	303	1,836	2,139
Net Increases (Decrease) in Cash and Cash Equivalents	10,771	(15,696)	(4,925)
Cash and Cash Equivalents Beginning of Year	20,785	39,802	60,587
Cash and Cash Equivalents End of Year	\$31,556	\$24,106	\$55,662
Reconciliation of Operating Loss to Net Cash Used For Operating Activities:			
Operating Loss	(\$33,275)	(\$16,219)	(\$49,494)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:			
Depreciation	3,142	0	3,142
Donated Commodities Received	20,613	0	20,613
Interest in Nonexpendable Trust Fund	0	(1,313)	(1,313)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	89	0	89
Increase in Inventory of Supplies and Materials	(890)	0	(890)
Decrease in Inventory Held for Resale	774	0	774
Decrease in Accounts Payable	(7,751)	0	(7,751)
Decrease in Accrued Salaries Payable	(5,728)	0	(5,728)
Increase in Intergovernmental Payable	19,718	0	19,718
Decrease in Compensated Absences Payable	(1,470)	0	(1,470)
Decrease in Deferred Revenue	(1,472)	0	(1,472)
Net Cash Used For Operating Activities	(\$6,250)	(\$17,532)	(\$23,782)
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet:			
Cash and Cash Equivalents-All Fiduciary Funds		\$45,762	
Cash and Cash Equivalents-Agency Fund		(21,656)	
Cash and Cash Equivalents-Nonexpendable Trust Fund		\$24,106	

See Accompanying Notes to the General Purpose Financial Statements.

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**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1894 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 25 square miles. It is located in Miami County, and includes all of the Village of Brandt and all of Bethel Township. It is staffed by 36 non-certificated employees, 55 certificated full-time teaching personnel and 5 administrative employees who provide services to 884 students and other community members. The School District currently operates 3 instructional/administrative buildings and 1 bus garage.

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 of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Bethel 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 three jointly governed organizations and one insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bethel 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

1. 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 fund) 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

The special revenue funds are used to account for the proceeds of specific revenue sources (other than for 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 fund).

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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 Funds

The enterprise funds are 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.

3. 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 a nonexpendable trust funds and an agency fund. 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.

4. 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary 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 School District does not have any contributed capital. Proprietary 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.

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, 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. Accounts receivable, in some instances, are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 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 proprietary fund type and the nonexpendable trust fund. Revenues are recognized in the accounting period when they are 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 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. 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 Miami County Budget Commission for rate determination.

2. Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the 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 2000.

3. 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 level of expenditures, which is the legal level 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 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, three supplemental appropriations were legally enacted; however, none were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including the supplemental appropriations. The financial statements are presented at more detail than the legal level of control. The treasurer allocates the Board's appropriations to the function/object level. 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. 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.

5. 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, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. In addition, the balance of the Title III and Preschool grant activity administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents". This represents deposits with the Miami County Educational Service Center.

During fiscal year 2000, the School District invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) and certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

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 2000 amounted to \$21,264, which includes \$5,569 assigned from other School District funds. The capital projects, enterprise and nonexpendable trust funds also earned interest in the amounts of \$3,478, \$303, and \$1,313, respectively.

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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2000, 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 is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization and for the purchase of textbooks and other instructional materials.

H. Estimates

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

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 five 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of eight 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 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 Program

Non-Reimbursable Grants

Special Revenue Funds

- Career Development
- Education Management Information Systems
- Title I
- Title III
- Title VI-B
- Goals 2000
- Textbook Subsidy
- Schoolnet Professional Development
- Career Education ICP
- Teacher Development
- Safe School Helpline Grant
- Preschool Grant

Capital Projects Funds

- Schoolnet Plus

Reimbursable Grants

General Fund

- Driver Education

Special Revenue Funds

- Ohio Reads
- E-rate

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 42 percent of governmental fund operating revenue during the 2000 fiscal year.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 all employees after ten years of current service with the School District.

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 proprietary funds, 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 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 are recognized as a liability of the General Long-Term Obligations Account Group until due.

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

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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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, property taxes, inventory of supplies and materials, textbooks and instructional materials, budget stabilization, and contributions.

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 legal restrictions on the use of principal.

O. 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 or results of operations 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.

3. ACCOUNTABILITY

The General Fund had a deficit fund balance at June 30, 2000, of \$461,786. The deficit in the General Fund will be eliminated through an increase in taxes as a result of the 5.5 mill emergency operating levy.

The Goals 2000 Special Revenue Fund had a deficit fund balance at June 30, 2000, of \$1,576. The deficit was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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 Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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 (budget basis). However, the activities of the fiscal agent that pertain to Bethel Local School District are included in the special revenue funds for GAAP reporting purposes (GAAP basis).
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Principal payments on revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following table summarizes 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			
	General	Special Revenue	Capital Projects
GAAP Basis	\$177,676	(\$31,513)	\$2,911
Revenue Accruals	23,195	57,864	10,348
Expenditure Accruals	(27,511)	12,548	34,099
Prepays	5,575	0	0
Principal Payments	(132,750)	0	0
Advances	53,522	(53,522)	0
Excess of Revenues Over Expenditures for Non-Budgeted Funds	0	(2,019)	0
Encumbrances	(73,916)	(30,492)	(59,201)
Budget Basis	\$25,791	(\$47,134)	(\$11,843)

For the debt service fund, the GAAP basis was the same as the budget basis because there were no revenue or expenditure accruals; therefore, a table was not presented.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

5. DEPOSITS AND INVESTMENTS (Continued)

8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

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".

Cash on Hand: At fiscal year end, the School District had \$165 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The "Cash and Cash Equivalents with Fiscal Agent" of \$3,508 shown in the special revenue funds represents the balance of various grants administered by the Miami County Educational Service Center. It is maintained with the Educational Service Center. GASB 3 disclosures regarding this amount can be obtained from its annual report.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$578,639 and the bank balance was \$665,938. Of the bank balance:

1. \$166,453 was covered by federal depository insurance; and
4. \$499,485 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's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. STAR Ohio had a fair value of \$1,998 at June 30, 2000.

The classification of cash and cash equivalents and investments on the combined financial statements is based on the 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."

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$561,042	\$23,268
Cash on Hand	(165)	0
Cash and Cash Equivalents with Fiscal Agent	(3,508)	0
Investments:		
Certificates of Deposit	23,268	(23,268)
STAR Ohio	(1,998)	1,998
GASB Statement 3	\$578,639	\$1,998

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 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, 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. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 Second- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$85,016,180	88%	\$86,206,290	88%
Public Utility Personal	4,831,960	5	4,553,290	5
Tangible Personal Property	6,781,970	7	7,397,650	7
Total Assessed Value	<u>\$96,630,110</u>	<u>100%</u>	<u>\$98,157,230</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$50.45		\$55.95	

The increase in the tax rate was for a 5.5 mill emergency levy for general operations. The School District receives property taxes from Miami 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, 2000, are available to finance fiscal year 2000 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, 2000. 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 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, 2000, was \$76,564 in the General Fund and \$4,768 in the Permanent Improvement Capital Projects Fund.

7. RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (scholarship reimbursements and student fees), intergovernmental grants 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. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
Drivers' Education	\$1,750
Special Revenue Fund:	
E-rate	1,167
Enterprise Fund	
National School Lunch Program	2,257
Total Intergovernmental Receivables	<u>\$5,174</u>

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

8. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$104,453
Less Accumulated Depreciation	<u>(84,780)</u>
Net Fixed Assets	<u><u>\$19,673</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance 6/30/00
Land and Improvements	\$176,752	\$21,688	\$0	\$198,440
Buildings and Improvements	1,440,184	99,232	0	1,539,416
Furniture, Fixtures and Equipment	1,489,884	50,986	0	1,540,870
Vehicles	608,489	53,800	0	662,289
Totals	<u>\$3,715,309</u>	<u>\$225,706</u>	<u>\$0</u>	<u>\$3,941,015</u>

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for general and fleet insurance and with Indiana Insurance for property insurance. Coverages provided are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$9,809,500
Automobile Liability (\$0 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	300,000 per accident
Gym - leased from boosters	450,000
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 the last year.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

9. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2000, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (GRP), a workers' compensation 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 CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

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 2000, 5.5 percent of annual covered salary 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' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$27,551, \$111,720 and \$90,277, respectively; 24.83 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$20,710 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

10. DEFINED BENEFIT PENSION PLANS (Continued)

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 basic 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.

For the fiscal year ended June 30, 2000, 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. 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, 2000, 1999, and 1998 were \$102,129, \$309,564, and \$307,185, respectively; 83.48 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$16,869 representing the unpaid contribution for fiscal year 2000 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, 2000, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining board members contribute to SERS.

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, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$136,171 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999 (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,756 eligible benefit recipients.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

11. POSTEMPLOYMENT BENEFITS (Continued)

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, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent over fiscal year 1999. 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 2000, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$62,481.

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 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

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 215 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for all employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource and Community National. Medical/surgical benefits are provided by Anthem Blue Cross\Blue Shield. Coverage for dental benefits are provided by Medical Benefits Mutual.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

13. FUND OBLIGATIONS

In 1999, the School District issued a tax anticipation notes in the amount of \$531,000. During fiscal year 2000, the School District made principal payments of \$132,750, leaving an outstanding balance at June 30, 2000, of \$398,250. The tax anticipation notes carry an interest rate of 4.81%. The final payment on the note will be made in 2003. The notes are being retired from the General Fund.

Principal and interest requirements to retire the tax anticipation notes outstanding at June 30, 2000, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$132,750	\$19,156	\$151,906
2002	132,750	12,747	145,497
2003	132,750	6,385	139,135
Total	<u>\$398,250</u>	<u>\$38,288</u>	<u>\$436,538</u>

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Amount Outstanding 6/30/99	Additions	Deductions	Amount Outstanding 6/30/00
Energy Conservation Loan - 1993 - 5.61%	\$170,000	\$0	\$170,000	\$0
School Bus Acquisition Bond - 1997 - 5.25%	47,000	0	23,000	24,000
Intergovernmental Payable	0	43,624	0	43,624
Compensated Absences	254,690	0	25,972	228,718
Total General Long-Term Obligations	<u>\$471,690</u>	<u>\$43,624</u>	<u>\$218,972</u>	<u>\$296,342</u>

Energy Conservation Loan - On September 1, 1993, the School District entered into a \$300,000 unvoted general obligation loan for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The loan was issued with final maturity during fiscal year 2000. The loan was retired from the General Fund with savings from the energy conservation improvements.

School Bus Acquisition Bonds - On April 15, 1997, the School District issued bonds in the amount of \$90,000. The bonds were issued for the purpose of purchasing buses for the School District. The bonds were issued for a four-year period with final maturity during fiscal year 2001. The bonds will be paid from the General Fund.

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

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the School Bus Acquisition Bonds at June 30, 2000, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$24,000	\$1,260	\$25,260

The School District's overall legal debt margin was \$8,436,517 with an unvoted debt margin of \$98,157 at June 30, 2000.

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of Food Service, Uniform School Supplies, and Latchkey. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2000.

	Food Service	Uniform School Supplies	Latchkey	Total
Operating Revenues	\$162,335	\$27,507	\$70,689	\$260,531
Depreciation Expense	2,971	0	171	3,142
Operating Loss	(29,504)	(852)	(2,919)	(33,275)
Donated Commodities	20,613	0	0	20,613
Federal and State Subsidies	16,790	0	0	16,790
Interest	303	0	0	303
Net Income (Loss)	8,203	(852)	(2,920)	4,431
Fixed Asset Additions	595	0	0	595
Net Working Capital	(8,716)	11,576	4,071	6,931
Total Assets	37,715	11,576	12,928	62,219
Long-Term Liabilities				
Payable from Revenue	617	0	0	617
Total Equity	9,334	11,576	5,078	25,987

16. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Dayton Educational Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties. 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$17,145 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative. 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. Any district withdrawing from the SOEPC forfeits 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 2000, the Bethel Local School District paid \$770 to the 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.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members 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 2000, the School District paid \$1,220 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

17. INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP 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.

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 Ohio General Assembly 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, 2000, the School District received \$1,528,491 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly 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. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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 and on its financial operations.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

19. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

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

	Textbooks/ Instructional Materials	Capital Improvement	Budget Stabilization
Set-aside Reserve Balance as of June 30, 1999	\$0	\$0	\$65,819
Current Year Set-aside Requirement	103,946	103,946	34,649
Current Year Offsets	(31,501)	(280,101)	(33,271)
Qualifying Disbursements	(54,799)	(49,210)	0
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$17,646</u>	<u>(\$225,365)</u>	<u>\$67,197</u>
Set-aside Reserve Balances as of June 30, 2000	<u>\$17,646</u>	<u>\$0</u>	<u>\$67,197</u>

The capital acquisition set-aside balance can be used to reduce the set-aside requirement in future years. The total reserve balance for the textbooks/instructional materials and budget stabilization set-asides at the end of the fiscal year was \$84,843.

21. CONTRACTUAL COMMITMENTS

As of June 30, 2000, the School District had a contractual purchase commitment with Wehner Roofing and Tinning with a outstanding balance of \$20,883.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

22. OPERATING LEASE

On September 1, 1999, the School District entered into a four-year operating lease for a new gymnasium with the Bethel Bee Athletic Boosters. Semi-annual payments of \$6,900 are paid by the School District from the District Managed Student Activities Special Revenue Fund. The Bethel Bee Athletic Boosters issued a loan to build the gym, however, the loan is not in the School District's name. The rental payments are to cover at least the interest payments on the loan. The total cost of the gym is around \$400,000. There is no automatic transfer of ownership at the end of the lease, however the lease is renewable. When the loan is paid off, the Athletic Boosters may donate the gym to the School District.

23. TRUST AGREEMENT

During the year ended June 30, 2000, the District amended the terms of a trust agreement, transferring substantially all trustee responsibilities to the Dayton Foundation. The District recorded an expense of \$12,700 from its non-expendable trust fund.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	\$103,514	\$97,866	\$616	\$105,187
Restricted Pooled Cash and Investments	65,819	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	1,488	0	0
Receivables:				
Taxes	2,409,819	0	0	170,000
Intergovernmental	0	62,765	0	0
Accounts	2,131	665	0	0
Accrued Interest	0	0	0	0
Interfund Receivable	53,522	0	0	0
Prepaid Items	0	0	0	0
Inventory	0	0	0	0
Amounts Held for Deferred Compensation	0	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 Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General				
Long-Term Obligations	0	0	0	0
Total Assets & Other Debits	<u>\$2,634,805</u>	<u>\$162,784</u>	<u>\$616</u>	<u>\$275,187</u>
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	\$51,401	\$1,819	\$0	\$491
Accrued Wages & Benefits	389,872	8,013	0	0
Compensated Absences Payable	16,537	0	0	0
Interfund Payable	0	53,522	0	0
Accrued Interest Payable	0	0	0	0
Deferred Revenue	2,301,347	0	0	155,884
Due to Students	0	0	0	0
Due to Other Districts	0	0	0	0
Deferred Compensation Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
Tax Anticipation Notes Payable	531,000	0	0	0
Total Liabilities	<u>3,290,157</u>	<u>63,354</u>	<u>0</u>	<u>156,375</u>
Fund Equity & 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	32,782	24,415	0	20,451
Reserved for Property Tax Advances	253,314	0	0	14,116
Reserved for Nonexpendable Trust Fund	0	0	0	0
Reserved For Set-Asides	65,819	0	0	0
Unreserved & Undesignated	<u>(1,007,267)</u>	<u>75,015</u>	<u>616</u>	<u>84,245</u>
Total Fund Equity (Deficit) & Other Credits	<u>(655,352)</u>	<u>99,430</u>	<u>616</u>	<u>118,812</u>
Total Liabilities, Fund Equity & Other Credits	<u>\$2,634,805</u>	<u>\$162,784</u>	<u>\$616</u>	<u>\$275,187</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$20,786	\$59,074	\$0	\$0	\$387,043
0	0	0	0	65,819
0	0	0	0	1,488
0	0	0	0	2,579,819
2,780	0	0	0	65,545
190	0	0	0	2,986
0	1,683	0	0	1,683
0	0	0	0	53,522
0	0	0	0	0
8,516	0	0	0	8,516
0	0	0	0	0
22,218	0	3,715,309	0	3,737,527
0	0	0	616	616
0	0	0	471,074	471,074
<u>\$54,490</u>	<u>\$60,757</u>	<u>\$3,715,309</u>	<u>\$471,690</u>	<u>\$7,375,638</u>
\$9,313	\$195	\$0	\$0	\$63,219
16,194	0	0	28,599	442,678
2,087	0	0	226,091	244,715
0	0	0	0	53,522
0	0	0	0	0
5,340	0	0	0	2,462,571
0	19,077	0	0	19,077
0	0	0	0	0
0	0	0	0	0
0	0	0	47,000	47,000
0	0	0	170,000	170,000
0	0	0	0	531,000
32,934	19,272	0	471,690	4,033,782
0	0	3,715,309	0	3,715,309
0	0	0	0	0
21,556	0	0	0	21,556
0	0	0	0	77,648
0	0	0	0	267,430
0	35,580	0	0	35,580
0	0	0	0	65,819
0	5,905	0	0	(841,486)
21,556	41,485	3,715,309	0	3,341,856
<u>\$54,490</u>	<u>\$60,757</u>	<u>\$3,715,309</u>	<u>\$471,690</u>	<u>\$7,375,638</u>

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Taxes	\$2,276,673	\$0	\$0	\$162,276	\$2,438,949
Intergovernmental	1,976,991	124,676	0	97,542	2,199,209
Investment	10,203	0	0	215	10,418
Tuition & Fees	52,349	0	0	0	52,349
Extracurricular Activities	0	111,417	0	0	111,417
Miscellaneous	73,410	36,402	0	4,240	114,052
Total Revenues	4,389,626	272,495	0	264,273	4,926,394
Expenditures:					
Current:					
Instruction:					
Regular	2,171,568	376	0	22,088	2,194,032
Special	132,084	58,814	0	0	190,898
Other	62,009	0	0	0	62,009
Support Services:					
Pupils	88,098	47,435	0	0	135,533
Instructional Staff	171,174	8,518	0	78,569	258,261
Board of Education	52,659	0	0	0	52,659
Administration	669,596	0	0	3,060	672,656
Fiscal	183,640	0	0	2,835	186,475
Operation & Maintenance of Plant	371,709	52	0	56,921	428,682
Pupil Transportation	442,080	0	0	51,591	493,671
Central	3,073	5,909	0	0	8,982
Operation of Non-Instructional Services	0	500	0	0	500
Extracurricular Activities	104,943	114,150	0	0	219,093
Capital Outlay	47,020	0	0	8,025	55,045
Debt Service:					
Principal Retirement	52,000	0	0	0	52,000
Interest & Fiscal Charges	20,243	0	0	0	20,243
Total Expenditures	4,571,896	235,754	0	223,089	5,030,739
Excess of Revenues Over (Under) Expenditures	(182,270)	36,741	0	41,184	(104,345)
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	100	0	0	0	100
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(182,170)	36,741	0	41,184	(104,245)
Fund Balance, Beginning of Year	(473,182)	62,689	616	77,628	(332,249)
Fund Balance, End of Year	(\$655,352)	\$99,430	\$616	\$118,812	(\$436,494)

See Accompanying Notes to the General Purpose Financial Statements.

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**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$2,272,660	\$2,272,660	\$0	\$0	\$0	\$0
Intergovernmental	1,976,091	1,976,991	900	65,276	65,276	0
Investment	9,201	12,802	3,601	0	0	0
Tuition & Fees	50,949	50,979	30	0	0	0
Extracurricular Activities	0	0	0	111,257	111,417	160
Gifts & Donations	0	0	0			0
Miscellaneous	72,425	72,650	225	36,598	36,598	0
Total Revenues	4,381,326	4,386,082	4,756	213,131	213,291	160
Expenditures:						
Current:						
Instruction:						
Regular	2,178,194	2,178,194	0	376	376	0
Special	156,028	156,028	0	51,508	51,508	0
Vocational	0	0	0	0	0	0
Other	60,169	60,169	0	0	0	0
Support Services:						
Pupils	88,038	88,038	0	50,585	50,585	0
Instructional Staff	172,278	172,278	0	8,518	8,518	0
Board of Education	50,937	50,937	0	0	0	0
Administration	727,089	727,089	0	0	0	0
Fiscal	173,453	188,486	(15,033)	0	0	0
Business	0	0	0	52	52	0
Operation & Maintenance of Plant	399,845	399,845	0	0	0	0
Pupil Transportation	450,363	450,363	0	0	0	0
Central	3,099	3,099	0	7,484	7,484	0
Operation of Non-Instructional Services	0	0	0	500	500	0
Extracurricular Activities	104,760	104,760	0	136,156	136,156	0
Capital Outlay	54,566	54,566	0	0	0	0
Debt Service:						
Principal Retirement	390,000	390,000	0	0	0	0
Interest & Fiscal Charges	20,448	20,448	0	0	0	0
Total Expenditures	5,029,267	5,044,300	(15,033)	255,179	255,179	0
Excess (Deficiency) of Revenues Over Under Expenditures	(647,941)	(658,218)	(10,277)	(42,048)	(41,888)	160
Other Financing Sources (Uses):						
Proceeds of Bonds	0	0	0	0	0	0
Proceeds of Notes	781,000	781,000	0	0	0	0
Proceeds from Sale of Fixed Assets	100	100	0	0	0	0
Refund of Prior Year Expenditures	1,916	1,916	0	0	0	0
Refund of Prior Year Receipts	(2,992)	(2,992)	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Advances In	9,574	9,574	0	53,522	53,522	0
Advances Out	(53,522)	(53,522)	0	(6,981)	(6,981)	0
Total Other Financing Sources (Uses)	736,076	736,076	0	46,541	46,541	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	88,135	77,858	(10,277)	4,493	4,653	160
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	43,941	43,941	0	71,454	71,454	0
Fund Balance, End of Year	\$132,076	\$121,799	(\$10,277)	\$75,947	\$76,107	\$160

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$156,431	\$156,431	\$0	\$2,429,091	\$2,429,091	\$0
0	0	0	97,542	97,542	0	2,138,909	2,139,809	900
0	0	0	215	215	0	9,416	13,017	3,601
0	0	0	0	0	0	50,949	50,979	30
0	0	0	0	0	0	111,257	111,417	160
0	0	0	0	0	0	0	0	0
0	0	0	4,240	4,240	0	113,263	113,488	225
0	0	0	258,428	258,428	0	4,852,885	4,857,801	4,916
0	0	0	22,088	22,088	0	2,200,658	2,200,658	0
0	0	0	0	0	0	207,536	207,536	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	60,169	60,169	0
0	0	0	0	0	0	138,623	138,623	0
0	0	0	83,826	83,826	0	264,622	264,622	0
0	0	0	0	0	0	50,937	50,937	0
0	0	0	3,060	3,060	0	730,149	730,149	0
0	0	0	1,714	2,835	(1,121)	175,167	191,321	(16,154)
0	0	0	0	0	0	52	52	0
0	0	0	58,880	58,880	0	458,725	458,725	0
0	0	0	51,591	51,591	0	501,954	501,954	0
0	0	0	0	0	0	10,583	10,583	0
0	0	0	0	0	0	500	500	0
0	0	0	0	0	0	240,916	240,916	0
0	0	0	33,121	33,121	0	87,687	87,687	0
0	0	0	0	0	0	390,000	390,000	0
0	0	0	0	0	0	20,448	20,448	0
0	0	0	254,280	255,401	(1,121)	5,538,726	5,554,880	(16,154)
0	0	0	4,148	3,027	(1,121)	(685,841)	(697,079)	(11,238)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	781,000	781,000	0
0	0	0	0	0	0	100	100	0
0	0	0	0	0	0	1,916	1,916	0
0	0	0	0	0	0	(2,992)	(2,992)	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	63,096	63,096	0
0	0	0	0	0	0	(60,503)	(60,503)	0
0	0	0	0	0	0	782,617	782,617	0
0	0	0	4,148	3,027	(1,121)	96,776	85,538	(11,238)
616	616	0	74,758	74,758	0	190,769	190,769	0
\$616	\$616	\$0	\$78,906	\$77,785	\$0	\$287,545	\$276,307	(\$11,238)

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Investment Revenue	\$0	\$4,136	\$4,136
Charges for Services	143,752	0	143,752
Tuition & Fees	96,804	0	96,804
Miscellaneous Revenue	0	691	691
Total Operating Revenues	<u>240,556</u>	<u>4,827</u>	<u>245,383</u>
Operating Expenses:			
Salaries	108,064	0	108,064
Fringe Benefits	15,748	0	15,748
Purchased Services	8,133	0	8,133
Materials & Supplies	125,259	0	125,259
Depreciation	6,956	0	6,956
Other Operating Expenses	2,340	200	2,540
Total Operating Expenses	<u>266,500</u>	<u>200</u>	<u>266,700</u>
Operating Income (Loss)	<u>(25,944)</u>	<u>4,627</u>	<u>(21,317)</u>
Non-Operating Revenues (Expenses):			
Miscellaneous Revenue	3,000	0	3,000
Donated Commodities	21,524	0	21,524
Operating Grants - State & Local	332	0	332
Operating Grants - Federal	14,705	0	14,705
Total Non-Operating Revenues	<u>39,561</u>	<u>0</u>	<u>39,561</u>
Net Income	13,617	4,627	18,244
Retained Earnings/Fund Balance, Beginning of Year	<u>7,939</u>	<u>36,858</u>	<u>44,797</u>
Retained Earnings/Fund Balance, End of Year	<u>\$21,556</u>	<u>\$41,485</u>	<u>\$63,041</u>

See Accompanying Notes to the General Purpose Financial Statements.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Cash Flows from Operating Activities:			
Cash Received from Tuition & Fees	\$96,804	\$0	\$96,804
Cash Received from Investment Earnings	0	2,453	2,453
Cash Received from Miscellaneous Sources	143,562	691	144,253
Cash Payments for Personal Services	(137,287)	0	(137,287)
Cash Payments for Contract Services	(8,225)	0	(8,225)
Cash Payments for Supplies & Materials	(106,264)	0	(106,264)
Cash Payments for Other Expenses	(2,340)	(200)	(2,540)
Net Cash Provided (Used) by Operating Activities	<u>(13,750)</u>	<u>2,944</u>	<u>(10,806)</u>
Cash Flows from Non-Capital Financing Activities:			
Cash Received from Operating Grants	<u>17,025</u>	<u>0</u>	<u>17,025</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,275	2,944	6,219
Cash and Cash Equivalents at Beginning of Year	<u>17,511</u>	<u>36,858</u>	<u>54,369</u>
Cash and Cash Equivalents at End of Year	<u><u>\$20,786</u></u>	<u><u>\$39,802</u></u>	<u><u>\$60,588</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$25,944)	\$4,627	(\$21,317)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	6,956	0	6,956
Donated Commodities Used	21,524	0	21,524
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivables	1,578	0	1,578
(Increase) Decrease in Accrued Interest	0	(1,683)	(1,683)
(Increase) Decrease in Materials & Supplies Inventory	2,289	0	2,289
Increase (Decrease) in Accounts Payable	8,112	0	8,112
Increase (Decrease) in Accrued Wages & Benefits	(18,632)	0	(18,632)
Increase (Decrease) in Compensated Absences Payable	(2,689)	0	(2,689)
Increase (Decrease) in Deferred Revenue	<u>(6,944)</u>	<u>0</u>	<u>(6,944)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$13,750)</u></u>	<u><u>\$2,944</u></u>	<u><u>(\$10,806)</u></u>
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet:			
Cash and Cash Equivalents-All Fiduciary Funds		\$59,074	
Cash and Cash Equivalents-Agency Fund		<u>19,272</u>	
Cash and Cash Equivalents-Nonexpendable Trust Fund		<u><u>\$39,802</u></u>	

See Accompanying Notes to the General Purpose Financial Statements.

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**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30,1999**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1894 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 25 square miles. It is located in Miami County, and includes all of the Village of Brandt and all of Bethel Township. The School District is the 531st largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 35 non-certificated employees, 54 certificated full-time teaching personnel and 5 administrative employees who provide services to 857 students and other community members. The School District currently operates 3 instructional buildings and 1 bus garage.

A. Reporting Entity:

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

The School District is associated with three organizations, which are defined as jointly governed organizations and an insurance purchasing pool. The jointly governed organizations are the Metropolitan Dayton Educational Cooperative Association, the Southwestern Ohio Educational Purchasing Cooperative and the Southwestern Ohio Instructional Technology Association. The Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan is considered an insurance purchasing pool.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bethel 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.

1. 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

2. 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 Funds

Enterprise funds are 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.

3. 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 trusts and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

All proprietary 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. Proprietary and nonexpendable trust fund 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.

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 fiscal year-end and delinquent property taxes, whose availability is indeterminable and which are intended to finance subsequent fiscal year 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the nonexpendable trust funds, Revenues are recognized when they are 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 legal level of budgetary control is at the fund level. 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.

1. 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 Miami County Budget Commission for rate determination.

2. 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. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 level which is the legal level 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 after 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. Before closing out at year-end, the School District passes appropriations to match expenditures plus encumbrances. 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.

4. 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.

5. 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30,1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments

Cash received by the District is deposited in a cash and investment pool used by all funds. Monies for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments. State Statute authorizes the District to invest in obligations of the U.S. Treasury, commercial paper and repurchase agreements. Under existing Ohio statutes, all investment earnings accrue to the General Fund except those specifically related to Agency Funds, certain Trust Funds, and those funds individually authorized by Board resolution.

For purposes of the Statement of Cash Flows (GASB Statement No. 9) all highly liquid investments with a maturity of three months or less when acquired, are considered to be cash equivalents and are included under the heading "Equity in pooled cash and investments".

During fiscal year 1999 investments included Star Ohio. These investments are stated at fair value as determined by quoted market prices, except for repurchase agreements. For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less and investments of the cash management pool are considered to be cash equivalents.

The District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

E. Restricted Cash

Restricted cash in the general fund represents 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 1999, the set aside for the budget stabilization reserve equaled \$65,819.

F. 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 school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit subsequent periods 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 is reported in the year in which services are consumed.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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 five 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. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

I. 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

- Career Development
- Education Management Information Systems
- Teacher Development
- Vocational Education
- Title I
- Title III
- Title VI
- Title VI-B
- Drug-Free Schools
- Professional Development Block Grant
- Preschool Grant

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30,1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

School Net
School Net Plus
Technology Equity

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
Government Donated Commodities

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund 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 all employees after ten years of current service with the School District.

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 proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, claims and judgements, compensated absences and contractually required 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. In general, amounts paid more than sixty days after year-end are considered not to have been paid using current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term debt account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

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 non-routine 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, inventory, property taxes and contributions to the nonexpendable trust funds that must be kept intact. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

O. Total Columns on General Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals - (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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

3. 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 Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Nonexpendable Trust Funds 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. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP Basis).

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

	General	Special Revenue	Capital Projects
GAAP Basis	(\$182,170)	\$36,741	\$41,184
Revenue Accruals	788,946	(5,182)	(4,724)
Expenditure Accruals	(479,670)	(672)	(12,491)
Encumbrances	(49,248)	(26,234)	(20,942)
Budget Basis	<u>\$ 77,858</u>	<u>\$ 4,653</u>	<u>\$ 3,027</u>

4. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash Investments". State statutes classify monies held by the School District into three categories.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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 or deposit 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.

State legislation permits inactive monies 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 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

4. EQUITY IN POOLED CASH 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 following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

The "Cash and Cash Equivalents with Fiscal Agent" of \$1,488 shown in the special revenue fund is maintained by the Miami County Educational Service Center. GASB 3 disclosures regarding this amount can be obtained from its annual report.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$450,972 and the bank balance was \$548,071. \$186,813 of the bank balance was covered by federal depository insurance and the remaining \$361,258 was covered by pooled collateral.

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 counter-party or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The School District's only investment at year-end was STAR Ohio. This is an unclassified investment with a carrying value and market value of \$1,890.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GAS13 Statement No. 9. 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:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$420,845	\$33,505
Cash and Cash Equivalents with Fiscal Agent	(1,488)	0
Investments:		
Certificates of Deposit	33,505	(33,505)
STAR Ohio	(1,890)	1,890
GASB Statement 3	<u>\$450,972</u>	<u>\$ 1,890</u>

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

5. 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.

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 1998 were based, is as follows:

Real Property	\$85,016,180
Tangible Personal Property	6,781,970
Public Utility and Real Estate	<u>4,831,960</u>
 Total Assessed Property Value	 <u>\$96,630,110</u>

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 Miami 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 \$253,314 in the general fund and \$14,116 in the permanent improvement capital projects fund.

6. RECEIVABLES

Receivables at year-end consisted of property taxes, accounts (rent and 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

7. FIXED ASSETS

A summary of the enterprise funds' fixed assets at year-end is as follows:

Furniture and Equipment	\$103,498
Less'. Accumulated Depreciation	<u>(81,280)</u>
Net Fixed Assets	<u>\$ 22,218</u>

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

Asset Category	Beginning Balance	Additions	Deletions	Ending Balance
Land and Improvements	\$ 176,752	\$ 0	\$ 0	\$ 176,752
Buildings and Improvements	1,440,184	0	0	1,440,184
Furniture and Equipment	1,164,976	324,908	0	1,489,884
Vehicles	<u>608,489</u>	<u>0</u>	<u>0</u>	<u>608,489</u>
Totals	<u>\$3,390,401</u>	<u>\$324,908</u>	<u>\$ 0</u>	<u>\$3,715,309</u>

8. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year, the School District contracted with Nationwide Insurance for general liability and fleet insurance. Property is protected by Indiana Insurance Company.

Coverages provided by Nationwide Insurance and Indiana Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$9,748,103
Automobile Liability (\$0 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	100,000 per person 300,000 per accident
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

For the current fiscal year, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

8. RISK MANAGEMENT (Continued)

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 School District applies for participation each year. The firm of Accordia of Ohio, provides administrative, cost control, and actuarial services to the GRP. Each year the School District pays an enrollment fee to GRP to cover the costs of administering the program.

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Bethel Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. 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 Bethel Local School District is required to contribute 14 percent; 7.7 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's contribution for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$111,720, \$90,277 and \$87,071, respectively; 55 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$50,208 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 Bethel 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 432153771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Bethel Local School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. 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, 1999, 1998, and 1997 were \$309,564, \$307,185 and \$304,805, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$49,984 representing the unpaid contributions for fiscal year 1999 is recorded as a liability within the respective funds.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

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.

10. 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.

For STRS, all benefit recipients are required to pay a portion of 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. The board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District, this amount equaled \$176,894 during the 1999 fiscal year. As of June 30, 1998, eligible benefit recipients totaled 91,999 and net health care costs paid by STRS were \$219,224,000.

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 6.3 percent of covered payroll. 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 has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$50,274 during the 1999 fiscal year. The number of participants currently receiving healthcare benefits is 50,000. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575.

11. 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

11. EMPLOYEE BENEFITS (Continued)

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 195 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 46 days for all employees.

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Coresource and Community National. Medical/surgical benefits are provided through Anthem Blue Cross and Blue Shield. Coverage for dental benefits are provided by Medical Benefits Mutual.

12. SHORT TERM OBLIGATIONS

During fiscal year 1999, the School District issued and retired tax anticipation notes in the amount of \$250,000. The debt was paid out of the general fund, the fund which received the proceeds.

Principal and interest requirements to retire the tax anticipation notes outstanding at June 30, 1999 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$132,750	\$25,468	\$158,218
2001	132,750	19,156	151,906
2002	132,750	12,747	145,497
2003	<u>132,750</u>	<u>6,385</u>	<u>139,135</u>
Total:	<u>\$531,000</u>	<u>\$63,756</u>	<u>\$594,756</u>

13. LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/98	Additions	Deletions	Principal Outstanding 6/30/99
Energy Conservation Loan 1993 5.61%	\$200,000	\$ 0	\$30,000	\$170,000
School Bus Acquisition Bond 1997 5.25%	<u>69,000</u>	<u>0</u>	<u>22,000</u>	<u>47,000</u>
Total Long-Term Obligations	<u>269,000</u>	<u>0</u>	<u>52,000</u>	<u>217,000</u>
Accrued Wages and Benefits	38,773	0	10,174	28,599
Compensated Absences	<u>210,294</u>	<u>15,797</u>	<u>0</u>	<u>226,091</u>
Total General Long-Term Obligations	<u>\$518,067</u>	<u>\$15,797</u>	<u>\$62,174</u>	<u>\$471,690</u>

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

Energy Conservation Loans - On September 1, 1993 the School District issued a loan in the amount of \$300,000. The loan was issued for the purpose of providing energy conservation measures for the School District, under the authority of the Ohio Revised Code Sections 133.06(G) and 3313.372. The loan was issued for a ten-year period with final maturity during fiscal year 2004. The loan has been reported in and paid from the general fund, the fund, which had received the proceeds.

School Bus Acquisition Bonds - On April 15, 1997, the School District issued bonds in the amount of \$90,000. The bonds were issued for the purpose of purchasing buses for the School District. The bonds were issued for a four-year period with final maturity during fiscal year 2001. The bonds will be paid from the general fund, the fund, which received the proceeds.

Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

Principal and interest requirements to retire the energy conservation loans at June 30, 1999 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$ 30,000	\$ 9,537	\$ 39,537
2001	30,000	7,854	37,854
2002	35,000	6,171	41,171
2003-2004	<u>75,000</u>	<u>6,452</u>	<u>81,452</u>
Total	<u>\$170,000</u>	<u>\$30,014</u>	<u>\$200,014</u>

Principal and interest requirements to retire the school bus acquisition bonds at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	23,000	2,468	25,468
2001	<u>24,000</u>	<u>1,260</u>	<u>25,260</u>
Total	<u>\$47,000</u>	<u>\$3,728</u>	<u>\$50,728</u>

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

14. INTERFUND ACTIVITY

As of year-end receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	Receivables Interfund	Payables Interfund
General Fund	\$53,522	\$ 0
Special Revenue Fund:		
Title I	0	28,216
Title VI-B	<u>0</u>	<u>25,306</u>
Total All Funds	<u>\$53,522</u>	<u>\$53,522</u>

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies and latchkey. The table below reflects the more significant financial data relating to the enterprise funds of the Bethel Local School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Latchkey</u>	<u>Totals</u>
Operating Revenues	\$143,752	\$28,400	\$68,404	\$240,556
Operating Expenses less Depreciation	165,798	28,970	64,776	259,544
Depreciation Expense	6,785	0	171	6,956
Operating Income (Loss)	(28,831)	(570)	3,457	(25,944)
Donated Commodities	21,524	0	0	21,524
Federal and State Subsidies	15,037	0	0	15,037
Miscellaneous Revenue	0	0	3,000	3,000
Net Income (Loss)	7,730	(570)	6,457	13,617
Net Working Capital	(18,824)	12,395	7,854	1,425
Long Term Compensated Absences	2,087	0	0	2,087
Total Assets	34,241	12,395	7,854	54,490
Total Equity	1,307	12,395	7,854	21,556

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

16. JOINTLY GOVERNED ORGANIZATIONS

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA 110,751 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

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 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 district. 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. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424,

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, and 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. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

17. INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP 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.

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 Ohio General Assembly to design a plan to remedy the perceived defects in that 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 \$1,505,567 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly 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. At this time, 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 this program and on its financial operations.

19. CONTINGENCIES

A. Grants

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

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

19. CONTINGENCIES (Continued)

B. Litigation

The School District is currently involved in one loss contingency. The matter involves a potential liability as a result of a gasoline spill. The School District is also a defendant in a related civil suit seeking unspecified damages. The District's legal counsel is unable to estimate the likelihood of loss. However, the District believes it has a valid defense.

20. STATUTORY RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formulas 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 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.

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Totals</u>
Set-aside Cash Balance As of June 30, 1998	\$ 0	\$ 0	\$33,271	\$ 33,271
Current Year Set-aside Requirement	65,095	65,095	32,548	162,738
Current Year Offsets	(12,585)	(128,826)	0	(141,411)
Qualifying Disbursements	<u>(54,762)</u>	<u>(34,520)</u>	<u>0</u>	<u>(89,282)</u>
Total	<u>(\$ 2,252)</u>	<u>(\$ 98,251)</u>	<u>\$65,819</u>	<u>(\$ 34,684)</u>
Cash Balance Carried Forward to FY 2000	\$ 0	\$ 0	\$65,819	<u>\$ 65,819</u>
Total Restricted Assets				<u>\$ 65,819</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts 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.

21. FUND BALANCE DEFICITS

Fund balances at June 30, 1999, included the following individual fund deficits (includes accrual entries):

<u>Fund</u>	<u>Deficit</u>
General	\$655,352

This deficit is a result of the application of GAAP and will be eliminated in future years.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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

Bethel Local School District
Miami County
7490 South State Route 201
Tipp City, Ohio 45371

To the Board of Education:

We have audited the financial statements of Bethel Local School District, Miami County (the District) as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated January 31, 2001. 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 31, 2001.

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 31, 2001.

Bethel Local School District
Miami 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 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 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370
Facsimile 614-466-4490

BETHEL LOCAL SCHOOL DISTRICT

MIAMI 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 29, 2001**