



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 year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America 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, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2002 on our consideration of the Government'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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 2, 2002, except for Note 23B, as to which the date is December 11, 2002

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**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

| | Governmental Fund Types | | | |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Assets and Other Debits | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$344,183 | \$121,482 | \$616 | \$242,353 |
| Cash and Cash Equivalents with Fiscal Agents | | 592 | | |
| Investments in Segregated Accounts | | | | |
| Receivables: | | | | |
| Property Taxes | 2,725,726 | | | 360,026 |
| Accounts | 4,705 | | | |
| Intergovernmental | 12,815 | 6,422 | | 58,500 |
| Accrued Interest | | | | |
| Prepaid Items | 7,289 | | | |
| Inventory of Supplies and Materials | 8,153 | | | |
| Inventory Held for Resale | | | | |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 33,271 | | | |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | | | | |
| Other Debits: | | | | |
| Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations | | | | |
| Amount to be Provided for Retirement of General Long-Term Obligations | | | | |
| Total Assets and Other Debits | <u>3,136,142</u> | <u>128,496</u> | <u>616</u> | <u>660,879</u> |
| Liabilities, Fund Equity and Other Credits | | | | |
| Liabilities: | | | | |
| Accounts Payable | 18,417 | 1,804 | | 7,967 |
| Accrued Wages and Benefits Payable | 323,737 | 8,450 | | |
| Intergovernmental Payable | 119,760 | 10,463 | | |
| Due to Students | | | | |
| Deferred Revenue | 2,654,472 | 6,422 | | 390,195 |
| Accrued Interest Payable | 1,064 | | | |
| Compensated Absences Payable | 16,350 | | | |
| Notes Payable | 265,500 | | | |
| Total Liabilities | <u>3,399,300</u> | <u>27,139</u> | | <u>398,162</u> |
| Fund Equity and Other Credits: | | | | |
| Investment in General Fixed Assets | | | | |
| Contributed Capital | | | | |
| Retained Earnings: | | | | |
| Unreserved | | | | |
| Fund Balance: | | | | |
| Reserved for Encumbrances | 149,953 | 20,678 | | 85,625 |
| Reserved for Property Taxes | 84,416 | | | 12,028 |
| Reserved for Inventory of Supplies and Materials | 8,153 | | | |
| Reserved for Budget Stabilization | 33,271 | | | |
| Reserved for Contributions | | | | |
| Unreserved (Deficit) | (538,951) | 80,679 | 616 | 165,064 |
| Total Fund Equity (Deficit) and Other Credits | <u>(263,158)</u> | <u>101,357</u> | <u>616</u> | <u>262,717</u> |
| Total Liabilities, Fund Equity and Other Credits | <u>\$3,136,142</u> | <u>\$128,496</u> | <u>\$616</u> | <u>\$660,879</u> |

The notes to the financial statements are an integral part of this statement.

| Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | Total (Memorandum Only) |
|--------------------------|-------------------------|----------------------------|-------------------------------------|-------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust and Agency | | | |
| \$36,862 | \$24,687 | | | \$770,183 |
| | 23,803 | | | 592 |
| | | | | 23,803 |
| | | | | 3,085,752 |
| 556 | | | | 5,261 |
| 4,795 | | | | 82,532 |
| | 1,174 | | | 1,174 |
| | | | | 7,289 |
| 756 | | | | 8,909 |
| 2,861 | | | | 2,861 |
| | | | | 33,271 |
| 31,297 | | 4,059,048 | | 4,090,345 |
| | | | 616 | 616 |
| | | | 292,672 | 292,672 |
| <u>77,127</u> | <u>49,664</u> | <u>4,059,048</u> | <u>293,288</u> | <u>8,405,260</u> |
| 1,163 | | | | 29,351 |
| 11,268 | | | | 343,455 |
| 18,533 | | | 40,688 | 189,444 |
| | 24,155 | | | 24,155 |
| 743 | | | | 3,051,832 |
| | | | | 1,064 |
| 2,444 | | | 252,600 | 271,394 |
| | | | | 265,500 |
| <u>34,151</u> | <u>24,155</u> | | <u>293,288</u> | <u>4,176,195</u> |
| | | 4,059,048 | | 4,059,048 |
| 15,757 | | | | 15,757 |
| 27,219 | | | | 27,219 |
| | | | | 256,256 |
| | | | | 96,444 |
| | | | | 8,153 |
| | | | | 33,271 |
| | 23,380 | | | 23,380 |
| | 2,129 | | | (290,463) |
| <u>42,976</u> | <u>25,509</u> | <u>4,059,048</u> | | <u>4,229,065</u> |
| <u>\$77,127</u> | <u>\$49,664</u> | <u>\$4,059,048</u> | <u>\$293,288</u> | <u>\$8,405,260</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, 2001**

| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total (Memorandum Only)</u> |
|---|--------------------|----------------------------|-------------------------|-----------------------------|--|
| Revenues: | | | | | |
| Property Taxes | \$2,436,501 | | | \$332,154 | \$2,768,655 |
| Intergovernmental | 2,265,516 | \$144,349 | | 105,517 | 2,515,382 |
| Interest | 49,737 | 63 | | | 49,800 |
| Tuition and Fees | 82,070 | 17,795 | | | 99,865 |
| Rent | 3,684 | | | | 3,684 |
| Extracurricular Activities | | 192,328 | | | 192,328 |
| Gifts and Donations | 1,900 | 16,355 | | | 18,255 |
| Miscellaneous | 30,803 | 9,572 | | | 40,375 |
| Total Revenues | <u>4,870,211</u> | <u>380,462</u> | | <u>437,671</u> | <u>5,688,344</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 2,250,098 | 18,411 | | 36,373 | 2,304,882 |
| Special | 351,106 | 42,816 | | | 393,922 |
| Support Services: | | | | | |
| Pupils | 90,611 | 72,733 | | | 163,344 |
| Instructional Staff | 130,353 | 20,752 | | 47,953 | 199,058 |
| Board of Education | 21,022 | | | | 21,022 |
| Administration | 506,639 | 1,000 | | 1,000 | 508,639 |
| Fiscal | 209,139 | 73 | | 4,283 | 213,495 |
| Business | 33,216 | 37 | | | 33,253 |
| Operation and Maintenance of Plant | 447,080 | 100 | | 77,490 | 524,670 |
| Pupil Transportation | 374,971 | | | 22,900 | 397,871 |
| Central | 26,328 | 7,295 | | | 33,623 |
| Non-Instructional Services | | 3,000 | | 16,186 | 19,186 |
| Extracurricular Activities | 122,612 | 184,138 | | | 306,750 |
| Capital Outlay | 53,572 | | | 90,492 | 144,064 |
| Debt Service: | | | | | |
| Principal Retirement | 24,000 | | | | 24,000 |
| Interest and Fiscal Charges | 19,766 | | | | 19,766 |
| Total Expenditures | <u>4,660,513</u> | <u>350,355</u> | | <u>296,677</u> | <u>5,307,545</u> |
| Excess of Revenues Over Expenditures | <u>209,698</u> | <u>30,107</u> | | <u>140,994</u> | <u>380,799</u> |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers In | | 4,500 | | | 4,500 |
| Operating Transfers Out | (4,500) | | | | (4,500) |
| Total Other Financing Sources (Uses) | <u>(4,500)</u> | <u>4,500</u> | | | <u>0</u> |
| Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | 205,198 | 34,607 | | 140,994 | 380,799 |
| Fund Balances (Deficit) at Beginning of Year | (460,619) | 66,750 | 616 | 121,723 | (271,530) |
| Decrease in Reserve for Inventory | (7,737) | | | | (7,737) |
| Fund Balances (Deficit) at End of Year | <u>(\$263,158)</u> | <u>\$101,357</u> | <u>\$616</u> | <u>\$262,717</u> | <u>\$101,532</u> |

The notes to the financial statements are an integral part of this statement.

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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, 2001**

| | General Fund | | Variance Favorable (Unfavorable) |
|---|---------------------------|------------------|---|
| | Revised Budget | Actual | |
| Revenues: | | | |
| Property Taxes | \$2,428,649 | \$2,428,649 | |
| Intergovernmental | 2,268,433 | 2,268,433 | |
| Interest | 49,637 | 49,637 | |
| Tuition and Fees | 88,419 | 88,419 | |
| Rent | 3,684 | 3,684 | |
| Extracurricular Activities | | | |
| Gifts and Donations | 1,900 | 1,900 | |
| Miscellaneous | <u>27,532</u> | <u>27,532</u> | |
| Total Revenues | <u>4,868,254</u> | <u>4,868,254</u> | |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 2,220,093 | 2,220,093 | |
| Special | 329,314 | 329,314 | |
| Other | 21,092 | 21,092 | |
| Support Services: | | | |
| Pupils | 103,443 | 103,443 | |
| Instructional Staff | 134,098 | 134,098 | |
| Board of Education | 20,336 | 20,336 | |
| Administration | 496,754 | 496,754 | |
| Fiscal | 236,457 | 236,457 | |
| Business | 33,806 | 33,806 | |
| Operation and Maintenance of Plant | 553,396 | 553,396 | |
| Pupil Transportation | 396,935 | 396,935 | |
| Central | 28,287 | 28,287 | |
| Non-Instructional Services | | | |
| Extracurricular Activities | 121,973 | 121,973 | |
| Capital Outlay | 63,545 | 63,545 | |
| Debt Service: | | | |
| Principal Retirement | 156,750 | 156,750 | |
| Interest and Fiscal Charges | <u>20,297</u> | <u>20,297</u> | |
| Total Expenditures | <u>4,936,576</u> | <u>4,936,576</u> | |
| Excess of Revenues Over (Under) Expenditures | <u>(68,322)</u> | <u>(68,322)</u> | |
| Other Financing Sources (Uses): | | | |
| Refund of Prior Year Expenditures | 6,323 | 6,323 | |
| Refund of Prior Year Receipts | (225) | (225) | |
| Advances In | 5,000 | 5,000 | |
| Advances Out | (5,000) | (5,000) | |
| Operating Transfers In | | | |
| Operating Transfers Out | <u>(4,500)</u> | <u>(4,500)</u> | |
| Total Other Financing Sources (Uses) | <u>1,598</u> | <u>1,598</u> | |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>(66,724)</u> | <u>(66,724)</u> | |
| Fund Balances at Beginning of Year | 197,171 | 197,171 | |
| Prior Year Encumbrances Appropriated | <u>73,916</u> | <u>73,916</u> | |
| Fund Balances at End of Year | <u>\$204,363</u> | <u>\$204,363</u> | <u>\$0</u> |

The notes to the financial statements are an integral part of this statement.

| Special Revenue Funds | | | Debt Service Fund | | | Capital Projects Funds | | |
|-----------------------|-----------------|----------------------------------|-------------------|--------------|----------------------------------|------------------------|------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$142,270 | \$142,270 | | | | | \$324,894 | \$324,894 | |
| 63 | 63 | | | | | 89,214 | 89,214 | |
| 17,795 | 17,795 | | | | | | | |
| 192,328 | 192,328 | | | | | | | |
| 16,355 | 16,355 | | | | | | | |
| 9,572 | 9,572 | | | | | | | |
| <u>378,383</u> | <u>378,383</u> | | | | | <u>414,108</u> | <u>414,108</u> | |
| 22,436 | 22,436 | | | | | 42,733 | 42,733 | |
| 42,404 | 42,404 | | | | | | | |
| 85,159 | 85,159 | | | | | 49,635 | 49,635 | |
| 17,534 | 17,534 | | | | | | | |
| 1,000 | 1,000 | | | | | 1,000 | 1,000 | |
| 37 | 37 | | | | | 7,236 | 7,236 | |
| 100 | 100 | | | | | 92,740 | 92,740 | |
| 7,295 | 7,295 | | | | | 22,900 | 22,900 | |
| 3,000 | 3,000 | | | | | 29,347 | 29,347 | |
| 201,027 | 201,027 | | | | | 165,840 | 165,840 | |
| <u>379,992</u> | <u>379,992</u> | | | | | <u>411,431</u> | <u>411,431</u> | |
| (1,609) | (1,609) | | | | | 2,677 | 2,677 | |
| 269 | 269 | | | | | | | |
| 5,000 | 5,000 | | | | | | | |
| (5,000) | (5,000) | | | | | | | |
| 4,500 | 4,500 | | | | | | | |
| <u>4,769</u> | <u>4,769</u> | | | | | | | |
| 3,160 | 3,160 | | | | | 2,677 | 2,677 | |
| 55,207 | 55,207 | | 616 | 616 | | 86,883 | 86,883 | |
| 30,492 | 30,492 | | | | | 59,201 | 59,201 | |
| <u>\$88,859</u> | <u>\$88,859</u> | <u>\$0</u> | <u>\$616</u> | <u>\$616</u> | <u>\$0</u> | <u>\$148,761</u> | <u>\$148,761</u> | <u>\$0</u> |

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | Proprietary Fund Type | Fiduciary Fund Type | Total (Memorandum Only) |
|--|--------------------------|------------------------|-------------------------------|
| | Enterprise | Nonexpendable Trust | |
| Operating Revenues: | | | |
| Sales | \$186,173 | | \$186,173 |
| Tuition | 69,641 | | 69,641 |
| Interest | | 1,260 | 1,260 |
| Gifts and Donations | | 826 | 826 |
| Other Revenue | 2,800 | | 2,800 |
| Total Operating Revenues | <u>258,614</u> | <u>2,086</u> | <u>260,700</u> |
| Operating Expenses: | | | |
| Salaries and Wages | 107,324 | | 107,324 |
| Fringe Benefits | 33,269 | | 33,269 |
| Purchased Services | 6,463 | | 6,463 |
| Supplies and Materials | 11,206 | | 11,206 |
| Cost of Sales | 124,033 | | 124,033 |
| Depreciation | 5,140 | | 5,140 |
| Other | 3,460 | 1,843 | 5,303 |
| Total Operating Expenses | <u>290,895</u> | <u>1,843</u> | <u>292,738</u> |
| Operating Income (Loss) | <u>(32,281)</u> | <u>243</u> | <u>(32,038)</u> |
| Non-Operating Revenues: | | | |
| Interest | 563 | | 563 |
| Federal and State Subsidies | 18,067 | | 18,067 |
| Federal Donated Commodities | 14,883 | | 14,883 |
| Total Non-Operating Revenues | <u>33,513</u> | | <u>33,513</u> |
| Net Income | 1,232 | 243 | 1,475 |
| Retained Earnings/Fund Balance at Beginning of Year | <u>25,987</u> | <u>25,266</u> | <u>51,253</u> |
| Retained Earnings/Fund Balance at End of Year | <u>27,219</u> | <u>25,509</u> | <u>52,728</u> |
| Contributed Capital at Beginning of Year | | | |
| Governmental Contributions | <u>15,757</u> | | <u>15,757</u> |
| Contributed Capital at End of Year | <u>15,757</u> | | <u>15,757</u> |
| Fund Equity at End of Year | <u>\$42,976</u> | <u>\$25,509</u> | <u>\$68,485</u> |

The notes to the financial statements are an integral part of this statement.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | Enterprise Funds | | | Nonexpendable Trust Fund | | |
|--|-------------------|-----------|--|--------------------------|----------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Sales | \$186,275 | \$186,275 | | | | |
| Tuition | 69,641 | 69,641 | | | | |
| Interest | 563 | 563 | | 1,240 | 1,240 | |
| Federal and State Subsidies | 15,529 | 15,529 | | | | |
| Gifts and Donations | | | | 826 | 826 | |
| Other Revenue | 2,800 | 2,800 | | | | |
| Total Revenues | 274,808 | 274,808 | | 2,066 | 2,066 | |
| Expenses: | | | | | | |
| Salaries and Wages | 105,052 | 105,052 | | | | |
| Fringe Benefits | 34,321 | 34,321 | | | | |
| Purchased Services | 8,039 | 8,039 | | | | |
| Supplies and Materials | 126,081 | 126,081 | | | | |
| Other | 3,460 | 3,460 | | 1,843 | 1,843 | |
| Capital Outlay | 80 | 80 | | | | |
| Total Expenses | 277,033 | 277,033 | | 1,843 | 1,843 | |
| Excess of Revenues Over (Under) Expenses | (2,225) | (2,225) | | 223 | 223 | |
| Fund Equity at Beginning of Year | 27,655 | 27,655 | | 24,106 | 24,106 | |
| Prior Year Encumbrances Appropriated | 3,899 | 3,899 | | | | |
| Fund Equity at End of Year | \$29,329 | \$29,329 | | \$24,329 | \$24,329 | |

The notes to the financial statements are an integral part of this statement.

**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, 2001**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Total (Memorandum Only)</u> |
|--|----------------------------------|--------------------------------|--|
| | <u>Enterprise</u> | <u>Nonexpendable Trust</u> | |
| Increase (Decrease) in Cash and Cash Equivalents: | | | |
| Cash Flows from Operating Activities: | | | |
| Cash Received from Customers | \$255,916 | | \$255,916 |
| Other Operating Revenues | 2,800 | | 2,800 |
| Cash Received from Gifts and Donations | | 826 | 826 |
| Cash Payments for Employee Services and Benefits | (139,147) | | (139,147) |
| Cash Payments to Suppliers for Goods and Services | (125,886) | | (125,886) |
| Other Operating Expenses | (3,460) | (1,843) | (5,303) |
| Net Cash Used For Operating Activities | <u>(9,777)</u> | <u>(1,017)</u> | <u>(10,794)</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Federal and State Subsidies Received | 15,529 | | 15,529 |
| Net Cash Provided By Noncapital Financing Activities | <u>15,529</u> | | <u>15,529</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition of Capital Assets | (1,007) | | (1,007) |
| Net Cash Used For Capital and Related Financing Activities | <u>(1,007)</u> | | <u>(1,007)</u> |
| Cash Flows from Investing Activities: | | | |
| Purchase of Investments | | (23,803) | (23,803) |
| Interest | 563 | 86 | 649 |
| Net Cash Provided By (Used For) Investing Activities | <u>563</u> | <u>(23,717)</u> | <u>(23,154)</u> |
| Net Increases (Decrease) in Cash and Cash Equivalents | 5,308 | (24,734) | (19,426) |
| Cash and Cash Equivalents Beginning of Year | 31,554 | 25,266 | 56,820 |
| Cash and Cash Equivalents End of Year | <u>\$36,862</u> | <u>\$532</u> | <u>\$37,394</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Used For Operating Activities: | | | |
| Operating Income (Loss) | (\$32,281) | \$243 | (\$32,038) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Used For Operating Activities: | | | |
| Depreciation | 5,140 | | 5,140 |
| Donated Commodities Used | 14,883 | | 14,883 |
| Interest in Nonexpendable Trust Fund | | (1,260) | (1,260) |
| Changes in Assets and Liabilities: | | | |
| Increase in Accounts Receivable | (455) | | (455) |
| Decrease in Inventory of Supplies and Materials | 134 | | 134 |
| Decrease in Inventory Held for Resale | 1,755 | | 1,755 |
| Decrease in Accounts Payable | (399) | | (399) |
| Increase in Accrued Wages and Benefits Payable | 802 | | 802 |
| Decrease in Intergovernmental Payable | (1,183) | | (1,183) |
| Increase in Compensated Absences Payable | 1,827 | | 1,827 |
| Net Cash Used For Operating Activities | <u>(\$9,777)</u> | <u>(\$1,017)</u> | <u>(\$10,794)</u> |
| Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet: | | | |
| Cash and Cash Equivalents-All Fiduciary Funds | | \$24,687 | |
| Cash and Cash Equivalents-Agency Fund | | <u>(24,155)</u> | |
| Cash and Cash Equivalents-Nonexpendable Trust Fund | | <u>\$532</u> | |

Non-Cash Transactions:

During fiscal year 2001, the Capital Projects Funds purchased equipment for the Food Service Enterprise Fund with a fair market value of \$15,757.

The notes to the financial statements are an integral part of this statement.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

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 35 non-certificated employees, 48 certificated full-time teaching personnel and 5 administrative employees who provide services to 862 students and other community members. The School District currently operates three instructional/administrative buildings and one 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, latchkey 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 participates in three jointly governed organizations and one insurance purchasing pool. These organizations are presented in Notes 17 and 18 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

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
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 nonexpendable trust and 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
JUNE 30, 2001
(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 fund 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
JUNE 30, 2001
(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. The proprietary fund type and nonexpendable trust fund's 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. The full accrual basis of accounting is followed for the proprietary funds and the nonexpendable trust fund.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported 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 governmental funds.

C. Budgetary Data

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

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The Title III and Preschool special revenue funds' 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.

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. At 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
JUNE 30, 2001
(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 is enacted by the Board of Education at the fund level of expenditures. 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, 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 legal level of control. 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, two supplemental appropriations were enacted; however, none were significant. Prior to year end, the School District passed appropriations to match expenditures plus encumbrances. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts adopted during the current fiscal year, including all amendments and modifications. The financial statements are presented at more detail than the legal level of control. The Treasurer has been given the authority to allocate 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 Title III and Preschool special revenue funds and the agency fund, consistent with statutory provisions. Prior to year end, the School District approved amended appropriations which matched appropriations to expenditures plus encumbrances at year-end.

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. 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
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, 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.

Investments that are held separately by the nonexpendable trust funds are recorded on the balance sheet as "Investments in Segregated Accounts."

During fiscal year 2001, the School District invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) and certificates of deposit, which are reported 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, 2001.

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 2001 amounted to \$49,737, which includes \$31,906 assigned from other School District funds.

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

E. Inventory

Inventories of governmental funds are stated at cost while inventories of 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, 2001, 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
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. See Note 20 for additional information regarding set-asides.

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.

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. 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

K. Accrued Liabilities and Long-Term Obligations

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

L. 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.

M. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1995, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(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, 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 contributions signifies legal restrictions on the use of principal. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. This reserve amount consists exclusively of monies received from the Bureau of Workers' Compensation until April 10, 2001.

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. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". The implementation of these statements had no effect on fund balance as was previously reported at June 30, 2000.

4. COMPLIANCE AND ACCOUNTABILITY

A. Compliance

The School District did not consistently certify funds for expenditures or deposit monies in a timely manner.

B. Accountability

The General Fund had a deficit fund balance at June 30, 2001, of \$263,158. The deficit in the General Fund has decreased as a result of an increase in taxes from a 5.5 mill emergency operating levy. The Board is continuing to monitor the situation to determine the need for additional levies.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the 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.

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. Principal payments on tax anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. For the 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).

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

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

**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 | \$205,198 | \$34,607 | \$140,994 |
| Revenue Accruals | 4,267 | (1,810) | (23,563) |
| Expenditure Accruals | 27,740 | 70 | (21,162) |
| Prepaid Items | 1,714 | | |
| Unrecorded Cash | 99 | | |
| Principal Payments | (132,750) | | |
| Excess of Revenues Under Expenditures for Non-Budgeted Funds | | 2,916 | |
| Outstanding Encumbrances | (172,992) | (32,623) | (93,592) |
| Budget Basis | <u>(\$66,724)</u> | <u>\$3,160</u> | <u>\$2,677</u> |

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

| | Enterprise | Nonexpendable Trust |
|-------------------------------------|-------------------|----------------------------|
| GAAP Basis | \$1,232 | \$243 |
| Revenue Accruals | (2,436) | (26) |
| Expense Accruals | 4,268 | |
| Unrecorded Cash | | 6 |
| Inventory of Supplies and Materials | (134) | |
| Inventory Held for Resale | (1,755) | |
| Acquisition of Capital Assets | (1,007) | |
| Depreciation Expense | 5,140 | |
| Outstanding Encumbrances | (7,533) | |
| Budget Basis | <u>(\$2,225)</u> | <u>\$223</u> |

6. DEPOSITS AND INVESTMENTS

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

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

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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
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
JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At fiscal year end, the School District had \$691 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 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".

At June 30, 2001, the School District had "Cash and Cash Equivalents with Fiscal Agent" in the special revenue funds of \$592. The money is held by the Miami County Educational Service Center, which is the fiscal agent of several other School Districts. Since the monies are commingled, they cannot be classified by risk individually under GASB Statement No. 3. The classification for the Miami County Educational Service Center as a whole can be obtained by writing to Carol Forsythe, who serves as Treasurer, at 510 West Water Street, Troy, Ohio 45373.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$824,449 and the bank balance was \$917,573. Of the bank balance:

1. \$167,693 was covered by federal depository insurance; and
4. \$749,880 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 \$2,117 at June 30, 2001.

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
JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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 | \$804,046 | \$23,803 |
| Cash on Hand | (691) | 0 |
| Cash and Cash Equivalents with Fiscal Agent | (592) | 0 |
| Investments: | | |
| STAR Ohio | (2,117) | 2,117 |
| Certificates of Deposit | 23,803 | (23,803) |
| GASB Statement 3 | <u>\$824,449</u> | <u>\$2,117</u> |

7. 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 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, 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. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

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

The assessed values upon which fiscal year 2001 taxes were collected are:

| | <u>2000 Second- Half Collections</u> | | <u>2001 Second- Half Collections</u> | |
|--|--|----------------|--|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/Residential and Other Real Estate | \$86,206,290 | 88% | \$88,026,560 | 89% |
| Public Utility Personal | 4,553,290 | 5 | 4,051,150 | 4 |
| Tangible Personal Property | 7,397,650 | 7 | 7,337,790 | 7 |
| Total Assessed Value | <u>\$98,157,230</u> | <u>100%</u> | <u>\$99,415,500</u> | <u>100%</u> |
| Tax rate per \$1,000 of assessed valuation | \$55.95 | | \$55.95 | |

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, 2001, are available to finance fiscal year 2001 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, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2001, was \$84,416 in the General Fund and \$12,028 in the Permanent Improvement Capital Projects Fund.

8. RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (tuition and student fees), intergovernmental (grants and reimbursements) and accrued interest. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

8. RECEIVABLES (Continued)

| | Amounts |
|-------------------------------------|----------------|
| General Fund: | |
| Transportation from ESC | \$12,815 |
| Special Revenue Funds: | |
| Title III | 287 |
| Title I | 2,615 |
| Title VI | 3,520 |
| Total Special Revenue Funds | 6,422 |
| Capital Projects Fund: | |
| Interactive Video Distance Learning | 58,500 |
| Enterprise Fund: | |
| National School Lunch Program | 4,795 |
| Total Intergovernmental Receivables | \$82,532 |

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

| | |
|-------------------------------|-----------|
| Furniture and Equipment | \$121,217 |
| Less Accumulated Depreciation | (89,920) |
| Net Fixed Assets | \$31,297 |

A summary of the changes in general fixed assets during fiscal year 2001 follows:

| Asset Category | Balance at 6/30/00 | Additions | Deletions | Balance at 6/30/01 |
|-----------------------------------|-------------------------------|------------------|------------------|-------------------------------|
| Land and Improvements | \$198,440 | \$113,228 | \$0 | \$311,668 |
| Buildings and Improvements | 1,539,416 | 38,319 | 0 | 1,577,735 |
| Furniture, Fixtures and Equipment | 1,540,870 | 59,126 | 0 | 1,599,996 |
| Vehicles | 662,289 | 34,500 | 127,140 | 569,649 |
| Totals | \$3,941,015 | \$245,173 | \$127,140 | \$4,059,048 |

10. 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 2001, the School District contracted with Nationwide Insurance for general and fleet insurance and with Indiana Insurance for property insurance. Coverage provided is as follows:

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

10. RISK MANAGEMENT (Continued)

| | |
|---|----------------------|
| 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 reduction in insurance coverage from the last year.

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

11. 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

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 2001, 4.2 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 2000, 5.5 percent was used 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, 2001, 2000, and 1999 were \$22,455, \$27,551, and \$111,720, respectively; 31.46 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$15,390 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides 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, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$222,314, \$102,129, and \$309,564, respectively; 82.93 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$37,954 representing the unpaid contribution for fiscal year 2001 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, 2001, 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

12. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the 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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$105,307 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000 (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, 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 2001 fiscal year equaled \$69,628.

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 \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per 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 Anthem Life. Medical/surgical benefits are provided by United Healthcare. Coverage for dental benefits are provided by Guardian.

14. FUND OBLIGATIONS

During 1999, the School District issued tax anticipation notes in the amount of \$531,000. During fiscal year 2001, the School District made principal payments of \$132,750, leaving an outstanding balance at June 30, 2001, of \$265,500. 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, 2001, are as follows:

| Fiscal year Ending June 30, | Principal | Interest | Total |
|--|------------------|-----------------|------------------|
| 2002 | \$132,750 | \$12,747 | \$145,497 |
| 2003 | 132,750 | 6,385 | 139,135 |
| Total | <u>\$265,500</u> | <u>\$19,132</u> | <u>\$284,632</u> |

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

| | <u>Amount Outstanding 6/30/00</u> | <u>Additions</u> | <u>Deductions</u> | <u>Amount Outstanding 6/30/01</u> |
|--|---|------------------|-------------------|---|
| School Bus Acquisition Bonds - 1997 - 5.25% | \$24,000 | \$0 | \$24,000 | \$0 |
| Intergovernmental Payable | 43,624 | 40,688 | 43,624 | 40,688 |
| Compensated Absences | 228,718 | 23,882 | 0 | 252,600 |
| Total General Long-Term Obligations | <u>\$296,342</u> | <u>\$64,570</u> | <u>\$67,624</u> | <u>\$293,288</u> |

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 were 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.

The School District's overall legal debt margin was \$8,682,511 with an unvoted debt margin of \$99,416 at June 30, 2001.

16. 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, 2001.

| | <u>Food Service</u> | <u>Uniform School Supplies</u> | <u>Latchkey</u> | <u>Total</u> |
|-------------------------------|---------------------|------------------------------------|-----------------|--------------|
| Operating Revenues | \$165,011 | \$21,562 | \$72,041 | \$258,614 |
| Depreciation Expense | 4,931 | 0 | 209 | 5,140 |
| Operating Income (Loss) | (34,747) | (4,444) | 6,910 | (32,281) |
| Federal and State Subsidies | 18,067 | 0 | 0 | 18,067 |
| Donated Commodities | 14,883 | 0 | 0 | 14,883 |
| Net Income (Loss) | (1,234) | (4,444) | 6,910 | 1,232 |
| Fixed Asset Additions | 0 | 0 | 1,007 | 1,007 |
| Net Working Capital (Deficit) | (4,147) | 7,133 | 10,183 | 13,169 |
| Total Assets | 49,489 | 7,808 | 19,830 | 77,127 |
| Long-Term Portion of | | | | |
| Compensated Absences Payable | 1,490 | 0 | 0 | 1,490 |
| Current Contributed Capital | 15,757 | 0 | 0 | 15,757 |
| Total Equity | 24,862 | 7,133 | 10,981 | 42,976 |
| Total Encumbrances | 3,200 | 2,921 | 1,412 | 7,533 |

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

17. 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 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 \$23,353 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 School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC 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 2001, the Bethel Local School District paid \$11,887 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 formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members 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 2001, the School District paid \$6,948 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
JUNE 30, 2001
(Continued)**

18. 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.

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, 2001.

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 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.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

20. SET-ASIDE CALCULATIONS (Continued)

| | <u>Textbooks/ Instructional Materials</u> | <u>Capital Improvements</u> | <u>Budget Stabilization</u> |
|---|---|---------------------------------|---------------------------------|
| Set-aside Reserve Balance as of June 30, 2000 | \$17,646 | (\$225,365) | \$67,197 |
| Reduction in Requirement Based on Revised Legislation | 0 | 0 | (33,926) |
| Current Year Set-aside Requirement | 119,134 | 119,134 | 0 |
| Current Year Offsets | 0 | (324,894) | 0 |
| Qualifying Disbursements | <u>(140,718)</u> | <u>(17,819)</u> | <u>0</u> |
| Set-aside Balances Carried Forward to Future Fiscal Years | <u>(\$3,938)</u> | <u>(\$448,944)</u> | <u>\$33,271</u> |
| Set-aside Reserve Balances as of June 30, 2001 | <u>\$0</u> | <u>\$0</u> | <u>\$33,271</u> |

The textbooks/instructional materials and capital improvements set-aside balances can be used to reduce the set-asides requirement in future years.

21. CONTRACTUAL COMMITMENTS

As of June 30, 2001, the School District had contractual purchase commitments as follows:

| <u>Company</u> | <u>Project</u> | <u>Contract Amount</u> | <u>Amount Expended</u> | <u>Balance at 6/30/01</u> |
|-------------------|--|----------------------------|----------------------------|-------------------------------|
| Butche's Painting | Paint interior of school buildings | \$5,105 | \$0 | \$5,105 |
| Booher Blacktop | Blacktop parking lot | 51,372 | 0 | 51,372 |
| Halton Paving | Seal coat parking lots | 6,805 | 0 | 6,805 |
| School Specialty | Elementary cafeteria tables and chairs | 13,161 | 0 | 13,161 |
| ATC | Replace well heads | 5,785 | 1,937 | 3,848 |
| Moulton Gas | Propane heat for school year | 79,920 | 0 | 79,920 |
| Creech Oil | Fuel | 18,000 | 12,842 | 5,158 |

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 if both parties agree. When the loan is paid off, the Athletic Boosters may donate the gym to the School District.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

23. SUBSEQUENT EVENTS

A. Donation

On August 13, 2001, Melva Locke donated \$50,000 to establish a scholarship fund on behalf of her late parents, Arthur and Mabel Flick. This will be accounted for as a nonexpendable trust fund on the School District's books.

B. School Funding Court Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

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



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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 year ended June 30, 2001, and have issued our report thereon dated December 2, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-10355-001 and 2001-10355-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 2, 2002.

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 December 2, 2002.

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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

December 2, 2002

BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2001

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

FINDING 2001-10355-001

Ohio Rev. Code § 5705.41 (D), states, no orders or contracts involving the expenditure of money is to be made unless there is attached there to a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This Section of the Code provides the following exception to this requirement:

If no certificate is issued at the time the contract or order is presented, the fiscal officer may execute a then and now certificate that states that there was, at the time of the making of such contract or order, and at the time of the execution of such certificate, a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. If the amount involved is greater than one thousand dollars, the taxing authority must authorize the drawing of a warrant with a resolution or ordinance within thirty days from execution of the then and now.

Proper certification of expenditures was not performed for 20 percent of the items tested, or \$7,726.69, during fiscal year 2001, in violation of the above provision.

The District should develop and implement policies and procedures to provide that certification is performed prior to the obligation of funds.

FINDING 2001-10355-002

Ohio Rev. Code § 9.38 requires public officials to deposit all public moneys received with the Treasurer of the public office or properly designated depository on the next business day following the day of receipt. If the total amount does not exceed \$1,000 and the receipts can be safeguarded, the District Board may adopt a policy to permit the Treasurer to utilize a different time period. The alternative time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the monies until the time of deposit.

Ninety-three percent of the receipts tested for the Latchkey fund, totaling \$23,569, were not deposited with the Treasurer within the required time.

Additionally, an instance was found when funds received for classroom materials and fees in excess of \$1,000 were not deposited by the next business day.

The District should institute procedures to provide that its policy is followed so that funds are secured and deposited in a timely manner.

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**CORRECTIVE ACTION PLAN
JUNE 30, 2001**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|----------------------------|
| 2001-10355-001 | The District has developed and implemented policies and procedures to ensure that purchase orders are executed and certified prior to the obligation of funds. All employees have been informed that all requisitions must be approved by immediate supervisor/principal and the Superintendent, then verified by the Treasurer that sufficient funds are available prior to releasing a purchase order | 12/2/02 | Debra Decker, Treasurer |
| 2001-10355-002 | Latchkey individual was unaware of requirement. Board policy addresses deposits in accordance with ORC and all employees have been advised that monies received must be deposited within 24 hours of receipt. | 12/2/02 | Debra Decker, Treasurer |



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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
DECEMBER 31, 2002**