



**Auditor of State  
Betty Montgomery**



**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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 the Bethel Local School District, Miami County, (the District), as of and for the year ended June 30, 2003, 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 the Bethel Local School District, Miami County, as of June 30, 2003, 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 March 8, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

March 8, 2005

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**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2003**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Assets and Other Debits</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$918,099	\$134,149	\$616	\$451,646
Investments				
Receivables:				
Property Taxes	2,897,485			374,861
Accounts	2,243	1,250		
Intergovernmental	35,553	26,325		
Accrued Interest				
Prepaid Items	22,838			
Inventory of Supplies and Materials	18,561			
Inventory Held for Resale				
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	58,881			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
<b>Other Debits:</b>				
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>3,953,660</u>	<u>161,724</u>	<u>616</u>	<u>826,507</u>
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities:</b>				
Accounts Payable	24,641	12,660		35,910
Accrued Wages and Benefits Payable	386,091	5,913		
Intergovernmental Payable	80,843	362		
Due to Students				
Deferred Revenue	2,789,338	25,310		353,176
Compensated Absences Payable	7,492			
Total Liabilities	<u>3,288,405</u>	<u>44,245</u>		<u>389,086</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings				
Fund Balance:				
Reserved for Encumbrances	126,229	10,069		48,963
Reserved for Property Taxes	109,067			21,685
Reserved for Inventory of Supplies and Materials	18,561			
Reserved for Budget Stabilization	33,271			
Reserved for Contributions				
Reserved for Textbooks and Instructional Materials	25,610			
Unreserved , Undesignated	352,517	107,410	616	366,773
Total Fund Equity and Other Credits	<u>665,255</u>	<u>117,479</u>	<u>616</u>	<u>437,421</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,953,660</u>	<u>\$161,724</u>	<u>\$616</u>	<u>\$826,507</u>

See accompanying notes to the general purpose financial statements.



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$28,829	\$25,832 73,749			\$1,559,171 73,749
				3,272,346
				3,493
1,786				63,664
	1,447			1,447
				22,838
991				19,552
3,188				3,188
				58,881
36,942		\$4,795,230		4,832,172
			\$616	616
			314,285	314,285
<u>71,736</u>	<u>101,028</u>	<u>4,795,230</u>	<u>314,901</u>	<u>10,225,402</u>
70				73,281
12,125				404,129
20,242			44,912	146,359
	24,965			24,965
				3,167,824
<u>3,792</u>			<u>269,989</u>	<u>281,273</u>
<u>36,229</u>	<u>24,965</u>		<u>314,901</u>	<u>\$4,097,831</u>
		4,795,230		4,795,230
32,801				32,801
2,706				2,706
				185,261
				130,752
				18,561
				33,271
	73,749			73,749
				25,610
	2,314			829,630
<u>35,507</u>	<u>76,063</u>	<u>4,795,230</u>		<u>6,127,571</u>
<u>\$71,736</u>	<u>\$101,028</u>	<u>\$4,795,230</u>	<u>\$314,901</u>	<u>\$10,225,402</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, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
<b>Revenues:</b>					
Property Taxes	\$2,606,441			\$350,626	\$2,957,067
Intergovernmental	2,783,200	\$251,680		62,346	3,097,226
Interest	20,780	109			20,889
Tuition and Fees	303,554	26,251			329,805
Rent	1,254				1,254
Extracurricular Activities		140,096			140,096
Gifts and Donations		17,887		2,275	20,162
Miscellaneous	26,056	19,746			45,802
Total Revenues	<u>5,741,285</u>	<u>455,769</u>		<u>415,247</u>	<u>6,612,301</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,626,395	23,144		50,474	2,700,013
Special	467,997	65,965			533,962
Support Services:					
Pupils	143,315	77,201			220,516
Instructional Staff	144,784	36,190		12,204	193,178
Board of Education	29,791				29,791
Administration	571,396	1,573		2,085	575,054
Fiscal	228,328	465		6,274	235,067
Business	45,655	67			45,722
Operation and Maintenance of Plant	476,322	59,197		73,850	609,369
Pupil Transportation	496,507			71,394	567,901
Central	86,514	10,950			97,464
Non-Instructional Services		1,500		5,146	6,646
Extracurricular Activities	133,968	177,823			311,791
Capital Outlay	5,856			240,500	246,356
Debt Service:					
Interest and Fiscal Charges	5,587				5,587
Total Expenditures	<u>5,462,415</u>	<u>454,075</u>		<u>461,927</u>	<u>6,378,417</u>
Excess of Revenues Over (Under) Expenditures	278,870	1,694		(46,680)	233,884
Fund Balances at Beginning of Year	376,344	115,785	\$616	484,101	976,846
Increase in Reserve for Inventory	10,041				10,041
Fund Balances at End of Year	<u>\$665,255</u>	<u>\$117,479</u>	<u>\$616</u>	<u>\$437,421</u>	<u>\$1,220,771</u>

*See accompanying notes to the general purpose financial statements.*

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**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$2,674,351	\$2,660,401	(\$13,950)			
Intergovernmental	2,731,614	2,749,078	17,464	\$218,591	\$240,291	\$21,700
Interest	50,000	20,780	(29,220)		109	109
Tuition and Fees	85,500	303,741	218,241	21,810	25,981	4,171
Rent	4,100	1,254	(2,846)			
Extracurricular Activities				136,305	140,841	4,536
Gifts and Donations	2,000		(2,000)	7,996	17,887	9,891
Miscellaneous	26,350	25,110	(1,240)	19,969	19,371	(598)
Total Revenues	<u>5,573,915</u>	<u>5,760,364</u>	<u>186,449</u>	<u>404,671</u>	<u>444,480</u>	<u>39,809</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,673,024	2,493,498	179,526	36,620	25,054	11,566
Special	519,179	468,765	50,414	54,323	66,887	(12,564)
Other	74,730	181,104	(106,374)			
Support Services:						
Pupils	131,480	130,326	1,154	71,912	78,056	(6,144)
Instructional Staff	165,151	145,830	19,321	20,319	26,281	(5,962)
Board of Education	27,869	30,725	(2,856)			
Administration	619,166	580,577	38,589	1,573	1,573	
Fiscal	221,842	235,860	(14,018)			
Business	50,730	45,663	5,067	1,748	67	1,681
Operation and Maintenance of Plant	479,118	515,664	(36,546)	65,000	59,197	5,803
Pupil Transportation	476,804	518,128	(41,324)			
Central	84,029	91,586	(7,557)	17,972	10,950	7,022
Non-Instructional Services						
Extracurricular Activities	142,615	129,156	13,459	189,634	192,478	(2,844)
Capital Outlay	32,799	6,216	26,583			
Debt Service:						
Principal Retirement	147,353	132,750	14,603			
Interest and Fiscal Charges	14,175	6,119	8,056			
Total Expenditures	<u>5,860,064</u>	<u>5,711,967</u>	<u>148,097</u>	<u>459,101</u>	<u>462,043</u>	<u>(2,942)</u>
Excess of Revenues Over (Under) Expenditures	<u>(286,149)</u>	<u>48,397</u>	<u>334,546</u>	<u>(54,430)</u>	<u>(17,563)</u>	<u>36,867</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	500		(500)			
Refund of Prior Year Expenditures		787	787	20		(20)
Refund of Prior Year Receipts						
Total Other Financing Sources (Uses)	<u>500</u>	<u>787</u>	<u>287</u>	<u>20</u>		<u>(20)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(285,649)</u>	<u>49,184</u>	<u>334,833</u>	<u>(54,410)</u>	<u>(17,563)</u>	<u>36,847</u>
Fund Balances at Beginning of Year	683,347	683,347		100,409	100,409	
Prior Year Encumbrances Appropriated	93,579	93,579		28,862	28,862	
Fund Balances at End of Year	<u>\$491,277</u>	<u>\$826,110</u>	<u>\$334,833</u>	<u>\$74,861</u>	<u>\$111,708</u>	<u>\$36,847</u>

See accompanying notes to the general purpose financial statements.

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$348,800	\$352,143	\$3,343
			62,022	62,346	324
				2,275	2,275
			410,822	416,764	5,942
			64,155	51,900	12,255
			25,232	12,204	13,028
			6,000	2,085	3,915
			4,900	6,274	(1,374)
			243,772	102,362	141,410
			106,228	71,394	34,834
			16,300	5,146	11,154
			336,270	275,357	60,913
			802,857	526,722	276,135
			(392,035)	(109,958)	282,077
			(4,600)		4,600
			(4,600)		4,600
			(396,635)	(109,958)	286,677
\$616	\$616		198,878	198,878	
			277,853	277,853	
\$616	\$616	\$0	\$80,096	\$366,773	\$286,677

**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, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Revenues:</b>			
Sales	\$185,137		\$185,137
Tuition	60,209		60,209
Interest		\$1,844	1,844
Gifts and Donations		47	47
Other Revenue	1,500		1,500
Total Operating Revenues	<u>246,846</u>	<u>1,891</u>	<u>248,737</u>
<b>Operating Expenses:</b>			
Salaries and Wages	113,837		113,837
Fringe Benefits	45,458		45,458
Purchased Services	8,130		8,130
Supplies and Materials	4,892		4,892
Cost of Sales	136,120		136,120
Depreciation	5,474		5,474
Other	6,489	3,101	9,590
Total Operating Expenses	<u>320,400</u>	<u>3,101</u>	<u>323,501</u>
Operating Loss	<u>(73,554)</u>	<u>(1,210)</u>	<u>(74,764)</u>
<b>Non-Operating Revenues:</b>			
Interest	208		208
Federal and State Subsidies	19,529		19,529
Federal Donated Commodities	27,739		27,739
Total Non-Operating Revenues	<u>47,476</u>		<u>47,476</u>
Net Loss	(26,078)	(1,210)	(27,288)
Retained Earnings/Fund Balance at Beginning of Year	<u>28,784</u>	<u>77,273</u>	<u>106,057</u>
Retained Earnings/Fund Balance at End of Year	<u>2,706</u>	<u>76,063</u>	<u>78,769</u>
Contributed Capital at Beginning of Year	28,506		28,506
Contributions from Other Funds During Year	<u>4,295</u>		<u>4,295</u>
Contributed Capital at End of Year	<u>32,801</u>		<u>32,801</u>
Fund Equity at End of Year	<u>\$35,507</u>	<u>\$76,063</u>	<u>\$111,570</u>

See accompanying notes to the general purpose financial statements.

**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, 2003**

	<u>Enterprise Funds</u>			<u>Nonexpendable Trust Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>						
Sales	\$173,600	\$185,137	\$11,537			
Tuition	65,000	60,209	(4,791)			
Interest	500	208	(292)	\$800	\$3,037	\$2,237
Federal and State Subsidies	9,400	19,337	9,937			
Gifts and Donations					47	47
Other Revenue		1,500	1,500			
<b>Total Revenues</b>	<u>248,500</u>	<u>266,391</u>	<u>17,891</u>	<u>800</u>	<u>3,084</u>	<u>2,284</u>
<b>Expenses:</b>						
Salaries and Wages	109,393	114,765	(5,372)			
Fringe Benefits	23,150	43,133	(19,983)			
Purchased Services	10,195	8,822	1,373			
Supplies and Materials	142,137	116,228	25,909			
Other	3,931	9,554	(5,623)	6,000	3,101	2,899
Capital Outlay	180	931	(751)			
<b>Total Expenses</b>	<u>288,986</u>	<u>293,433</u>	<u>(4,447)</u>	<u>6,000</u>	<u>3,101</u>	<u>2,899</u>
Excess of Revenues Under Expenses	(40,486)	(27,042)	13,444	(5,200)	(17)	5,183
Fund Equity at Beginning of Year	26,970	26,970		74,633	74,633	
Prior Year Encumbrances Appropriated	17,319	17,319				
<b>Fund Equity at End of Year</b>	<u>\$3,803</u>	<u>\$17,247</u>	<u>\$13,444</u>	<u>\$69,433</u>	<u>\$74,616</u>	<u>\$5,183</u>

See accompanying notes to the general purpose financial statements.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$245,346		\$245,346
Cash Received from Other Operating Revenues	1,500		1,500
Cash Received from Gifts and Donations		\$47	47
Cash Payments for Employee Services and Benefits	(157,898)		(157,898)
Cash Payments to Suppliers for Goods and Services	(117,464)		(117,464)
Other Operating Expenses	(6,489)	(3,101)	(9,590)
Net Cash Used For Operating Activities	<u>(35,005)</u>	<u>(3,054)</u>	<u>(38,059)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Federal and State Subsidies Received	<u>19,337</u>		<u>19,337</u>
<b>Cash Flows from Investing Activities:</b>			
Sale of Investments		54	54
Interest	208	3,037	3,245
Net Cash Provided By Investing Activities	<u>208</u>	<u>3,091</u>	<u>3,299</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(15,460)	37	(15,423)
Cash and Cash Equivalents Beginning of Year	<u>44,289</u>	<u>830</u>	<u>45,119</u>
Cash and Cash Equivalents End of Year	<u><u>\$28,829</u></u>	<u><u>\$867</u></u>	<u><u>\$29,696</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used For Operating Activities:</b>			
Operating Loss	(73,554)	(1,210)	(74,764)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:</b>			
Depreciation	5,474		5,474
Donated Commodities Used	31,622		31,622
Interest in Nonexpendable Trust Fund		(1,844)	(1,844)
<b>Changes in Assets and Liabilities:</b>			
Increase in Inventory of Supplies and Materials	(15)		(15)
Decrease in Inventory Held for Resale	517		517
Decrease in Accounts Payable	(447)		(447)
Increase in Accrued Wages and Benefits Payable	14		14
Increase in Intergovernmental Payable	1,742		1,742
Decrease in Compensated Absences Payable	(358)		(358)
Net Cash Used For Operating Activities	<u><u>(\$35,005)</u></u>	<u><u>(\$3,054)</u></u>	<u><u>(\$38,059)</u></u>
<b>Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet:</b>			
Cash and Cash Equivalents-All Fiduciary Funds		\$25,832	
Cash and Cash Equivalents-Agency Fund		(24,965)	
Cash and Cash Equivalents-Nonexpendable Trust Fund		<u><u>\$867</u></u>	

**Non-Cash Transactions:**

During fiscal year 2003, the Food Service Enterprise Fund received \$27,739 in donated commodities.

The Food Service Enterprise Fund also received \$4,295 in fixed asset additions during the fiscal year from governmental funds.

*See accompanying notes to the general purpose financial statements.*



**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1894 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 25 square miles. It is located in Miami County, and includes all of the Village of Brandt and all of Bethel Township. The School District is staffed by 36 non-certificated employees, 54 certificated full-time teaching personnel and 4 administrative employees who provide services to 924 students and other community members. The School District currently operates two instructional buildings and one administrative building.

**A. Reporting Entity:**

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

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

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Notes 16 and 17 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

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

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special 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 the 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 the 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 the trust fund).

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(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 nonexpendable trust and agency funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**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.

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

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The 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 fiscal 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 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On 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, 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, 2003, but which were levied to finance fiscal year 2004 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.

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.

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

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

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

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

**1. Tax Budget:**

The County Auditor determines the need for existing (or increased) tax rates. The County Auditor requests information from the School District deemed necessary to make a determination of the tax rate.

**2. Estimated Resources:**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal 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 fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriation resolution was passed by the Board of Education.

**3. Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. 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 total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control.

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 fiscal year, one supplemental appropriation was legally enacted; however, it was not significant.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 in more detail than the legal level of control. Formal budgetary integration is employed as a management control device by the Board of Education during the fiscal year for all funds, other than a portion of the Title III and Preschool special revenue funds and the agency fund, consistent with statutory provisions.

**4. Encumbrances:**

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

**5. Lapsing of Appropriations:**

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

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, except the nonexpendable trust fund, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

The School District invests in certificates of deposit, which are reported at cost, and STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$20,780 which includes \$8,079 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.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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 fiscal year in which services are consumed.

**F. Inventory**

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

**G. Restricted Assets**

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets in the General Fund represent monies required by State statute to be set-aside for the creation of a reserve for budget stabilization, capital improvements, and for the purchase of textbooks and instructional materials. See Note 19 for additional information regarding set-asides.

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal 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.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Compensated Absences**

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the funds 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.

**J. 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 fiscal year-end are considered not to have used current available financial resources.

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

**K. Contributed Capital**

Prior to fiscal year 2001, contributed capital represented resources from other funds, other governments, and private sources provided to the enterprise fund that is not subject to repayment. Because the School District had not prepared financial statements in accordance with Generally Accepted Accounting Principles prior to fiscal year 1995, the exact amount of contributed capital pertaining to prior fiscal years cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements.

Capital contributions received after fiscal year 2000 from other governments and private sources have been recorded as revenues and are reported as retained earnings. Contributions from other funds are still recorded as contributed capital.



**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. 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 indicated 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, contributions, and textbooks and instructional materials.

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 in the nonexpendable trust fund. The reserve for budget stabilization is money set aside as required by State statute to protect against cyclical changes in revenues and expenditures.

**M. Interfund Transactions**

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

**N. Estimates**

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

**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, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. COMPLIANCE AND ACCOUNTABILITY**

**A. Compliance**

The following funds had an excess of expenditures and encumbrances over appropriations at June 30, 2003:

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**3. COMPLIANCE AND ACCOUNTABILITY (Continued)**

<u>Fund Type / Name</u>	<u>Appropriations</u>	<u>Expenditures and Encumbrances</u>	<u>Excess</u>
Special Revenue Funds:			
District Managed Student Activities	\$189,634	\$192,479	(\$2,845)
Title VI-B	26,440	65,383	(38,943)
Drug Free Grant	3,000	3,275	(275)
Enterprise Fund:			
Food Service	180,688	197,816	(17,128)

**B. Accountability**

The following special revenue funds had deficit fund balances at June 30, 2003:

	<u>Deficit Fund Balance</u>
Title VI-B	\$89
Title I	2,772

The deficit fund balances resulted from adjustments for accrued liabilities. Management expects the deficits in these funds to be corrected in early fiscal year 2004. The General Fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

**4. BUDGETARY BASIS OF ACCOUNTING**

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

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

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

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

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
GAAP Basis	\$278,870	\$1,694	(\$46,680)
Revenue Accruals	19,866	(916)	1,517
Expenditure Accruals	23,785	4,100	20,078
Prepaid Items	10,283	0	0
Principal Payments	(132,750)	0	0
Outstanding Encumbrances	(150,870)	(22,441)	(84,873)
Budget Basis	\$49,184	(\$17,563)	(\$109,958)

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

	<b>Enterprise</b>	<b>Nonexpendable Trust</b>
GAAP Basis	(\$26,078)	(\$1,210)
Revenue Accruals	(192)	1,193
Expense Accruals	9,721	0
Inventory of Supplies and Materials	15	0
Inventory Held for Resale	(4,400)	0
Depreciation Expense	5,474	0
Outstanding Encumbrances	(11,582)	0
Budget Basis	(\$27,042)	(\$17)

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

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

**Cash on Hand:** At fiscal year-end, the School District had \$1,135 in un-deposited 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".

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**Deposits:** At fiscal year-end, the carrying amount of the School District's deposits was \$1,688,464 and the bank balance was \$1,949,731. Of the bank balance:

1. \$131,384 was covered by federal depository insurance; and
2. \$1,818,347 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and 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 \$2,202 at June 30, 2003.

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

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

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$1,618,052	\$73,749
Cash on Hand	(1,135)	0
STAR Ohio	(2,202)	2,202
Certificates of Deposit	73,749	(73,749)
GASB Statement No. 3	\$1,688,464	\$2,202

**6. PROPERTY TAXES**

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

**BETHEL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar years 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of the appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002, and collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2003, are available to finance fiscal year 2003 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 are measurable as of June 30, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$114,523 in the General Fund and \$16,230 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2002, was \$163,027 in the General Fund and \$23,202 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which fiscal year 2003 taxes were collected are:

**BETHEL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**6. PROPERTY TAXES (Continued)**

	<b>2002 Second- Half Collections</b>		<b>2003 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$96,975,850	90.17%	\$101,542,960	90.65%
Public Utility Personal	3,716,740	3.46%	3,871,190	3.46%
Tangible Personal Property	6,855,780	6.37%	6,603,050	5.89%
Total Assessed Value	<u>\$107,548,370</u>	<u>100.00%</u>	<u>\$112,017,200</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed valuation	\$55.49		\$55.29	

The decrease in the tax rate was for a 0.20 mill emergency levy. The County Auditor recorded increased property values for collection year 2003 compared to collection year 2002. The School District wanted the emergency levy to generate at least \$531,000 annually. In order to do this, the County Auditor adjusted the millage to accommodate.

**7. RECEIVABLES**

Receivables at June 30, 2003, consisted of property taxes, accounts (student fees), accrued interest, and intergovernmental (billings for user charged services and grants). All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	<b>Amounts</b>
General Fund:	
Foundation Settlement SF-14 Adjustment	\$1,442
Foundation Settlement SF-3 Adjustment	34,111
Total General Fund	<u>35,553</u>
Special Revenue Funds:	
Title I	11,983
Title II	8,361
Title VI	4,966
FEMA Monies	1,015
Total Special Revenue Funds	<u>26,325</u>
Enterprise Fund:	
National School Lunch Program	1,786
Total Intergovernmental Receivables	<u>\$63,664</u>

**8. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$128,309
Less Accumulated Depreciation	<u>(91,367)</u>
Net Fixed Assets	<u>\$36,942</u>

**BETHEL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**8. FIXED ASSETS (Continued)**

A summary of the changes in general fixed assets during fiscal year 2003 follows:

<b>Asset Category</b>	<b>Restatement Balance at 6/30/02</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 6/30/03</b>
Land and Improvements	\$517,484	\$0	\$0	\$517,484
Buildings and Improvements	1,605,041	200,504	0	1,805,545
Furniture, Fixtures and Equipment	1,605,063	213,575	42,652	1,775,986
Vehicles	572,793	187,382	63,960	696,215
<b>Totals</b>	<b>\$4,300,381</b>	<b>\$601,461</b>	<b>\$106,612</b>	<b>\$4,795,230</b>

The restated balance is in the Land and Land Improvements asset category and is for land in the amount of \$127,500 purchased prior to 2002. There was no significant construction in progress at June 30, 2003.

**9. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Cincinnati Insurance Company for property and contents insurance.

During fiscal year 2003, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 17). The School District contracts for automobile liability, education general liability and employee benefits liability with OSP.

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$1,000 deductible)	\$10,818,306
Automobile Liability (\$0 deductible)	1,000,000
Uninsured Motorists (\$0 deductible) per accident	50,000
Gym – leased from boosters	810,890
Education General Liability:	
Each Occurrence	1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	10,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000

(Continued)



**BETHEL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

Employee Benefits Liability:	
Each Offense	\$1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Errors and Omissions Liability:	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000
Excess Liability:	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been a significant increase in insurance coverage from last fiscal year.

**B. Workers' Compensation**

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

**C. Medical Benefits**

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 17). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$70,735, \$44,840, and \$22,455, respectively; 53.58 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**B. State Teachers Retirement System of Ohio**

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**BETHEL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may not qualify for disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$311,293, \$203,514, and \$222,314 respectively; 84.43 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for the fiscal year 2003 were \$3,275 made by the School District and \$2,921 made by the plan members.

**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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2003, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board members contribute to SERS.

**11. POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$23,946 for fiscal year 2003.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$3.011 billion. For the fiscal year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal 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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$67,829.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003, were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**12. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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 employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 54 days for all employees.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance through Anthem Life to most employees. Medical/surgical benefits are provided by United Healthcare through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP) (Note 17). Coverage for dental benefits is provided by Guardian.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**12. OTHER EMPLOYEE BENEFITS (Continued)**

**C. Deferred Compensation Plan**

Employees may elect to participate in the Ohio Association of School Business Officials Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**13. SHORT-TERM OBLIGATION**

During fiscal year 1999, the School District issued tax anticipation notes in the amount of \$531,000. During fiscal year 2003, the School District made their last payment consisting of \$132,750 in principal. The tax anticipation notes carried an interest rate of 4.81 percent. The notes were retired from the General Fund, the fund that recorded the liability. The proceeds of the note were originally placed in this fund.

**14. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	<b>Amount Outstanding 6/30/02</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/03</b>
Intergovernmental Payable	\$34,203	\$44,912	\$34,203	\$44,912
Compensated Absences Payable	271,740	0	1,751	269,989
Total General Long-Term Obligations	<u>\$305,943</u>	<u>\$44,912</u>	<u>\$35,954</u>	<u>\$314,901</u>

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

The School District's overall legal debt margin was \$10,081,548 with an unvoted debt margin of \$112,017 at June 30, 2003.

**15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains three enterprise funds to account for the operations of Food Service, Uniform School Supplies, and Latchkey. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2003.

**BETHEL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Latchkey</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$165,906	\$19,231	\$61,709	\$246,846
Depreciation Expense	5,274	0	200	5,474
Operating Income (Loss)	(60,295)	1,281	(14,540)	(73,554)
Interest	208	0	0	208
Federal and State Subsidies	19,529	0	0	19,529
Federal Donated Commodities	27,739	0	0	27,739
Net Income (Loss)	(12,819)	1,281	(14,540)	(26,078)
Fixed Asset Deletion	2,593	0	0	2,593
Capital Contributions	4,295	0	0	4,295
Net Working Capital (Deficit)	(916)	3,055	201	2,340
Total Assets	59,288	3,055	9,393	71,736
Long-Term Compensated Absences Payable	2,276	0	1,516	3,792
Total Equity	32,354	3,055	98	35,507
Encumbrances Outstanding at June 30, 2003	10,653	264	665	11,582

**16. JOINTLY GOVERNED ORGANIZATIONS**

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. During fiscal year 2003, the School District paid \$28,196 to MDECA. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

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

**BETHEL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

Each member school 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 2003, the School District paid \$5,017 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, 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. 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 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 2003, the School District paid \$6,473 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**17. INSURANCE PURCHASING POOLS**

**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), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

**BETHEL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**17. INSURANCE PURCHASING POOLS (Continued)**

**Ohio School Plan** – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**18. 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, 2003.

**B. Litigation**

The School District is not a party to any legal proceedings.

**19. SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements and the purchase of textbooks and other instructional materials. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set aside for this purpose.

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



**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**19. SET-ASIDE CALCULATIONS (Continued)**

	<u>Budget Stabilization Reserve</u>	<u>Capital Improvements Reserve</u>	<u>Textbooks/ Instructional Materials Reserve</u>
Set-aside Reserve Balance as of June 30, 2002	\$33,271	\$ 0	(\$21,420)
Current Fiscal Year Set-aside Requirement	0	119,757	119,757
Offsets	0	(352,143)	0
Qualifying Disbursements	0	(368,969)	(72,727)
Total	<u>\$33,271</u>	<u>(\$601,355)</u>	<u>\$25,610</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$33,271</u>	<u>(\$0)</u>	<u>\$25,610</u>
Set-aside Reserve Balance as of June 30, 2003	<u>\$33,271</u>	<u>\$0</u>	<u>\$25,610</u>

The School District had offsets and qualifying disbursements for capital improvements during the fiscal year that reduced the set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future fiscal years. The negative amount can only be carried forward from the total not including qualifying disbursements.

**20. 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 last lease payment was made in fiscal year 2003 in the amount of \$13,800.

**21. STATE SCHOOL FUNDING 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 decision 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...".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**22. SUBSEQUENT EVENTS**

**A. Operating Lease**

The School District paid the Bethel Bee Athletic Boosters (Boosters) \$6,900 on September 12, 2003, for the lease of the new gymnasium (See Note 20). The School District is in the process of signing a new three-year lease agreement with the Boosters. There are no scheduled lease increases.

**B. Property Tax Levy**

The School District had a 2.0 mill renewal levy for additional construction, reconstructing, remodeling, and adding to school buildings including furniture, buses, and site development passed on November 4, 2003. This levy is for 4 years.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT 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 the Bethel Local School District, Miami County, (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated March 8, 2005. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 8, 2005.

#### **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 March 8, 2005.

Bethel Local School District  
Miami County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management, and 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 8, 2005

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2003**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;</b>
2002-001	ORC Sec. 9.38 – deposit of public money	No	Partially corrected. Reported in a separate letter to management of the District.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**BETHEL LOCAL SCHOOL DISTRICT**

**MIAMI COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 5, 2005**