



**Auditor of State  
Betty Montgomery**



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Botkins Local School District  
Shelby County  
208 North Sycamore Street  
Botkins, Ohio 45306

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Botkins Local School District, Shelby County, (the School District), as of and for the years ended June 30, 2005 and June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

Ohio Administrative Code §117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Botkins Local School District, Shelby County, as of June 30, 2005 and June 30, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the year ended June 30, 2004, the School District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 27, 2005

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

This discussion and analysis of Botkins Local School District's (the School District) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2005, within the limitations of the modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**HIGHLIGHTS**

Key highlights for fiscal year 2005 are as follows:

Net assets of governmental activities increased \$94,213, or 5.2 percent. The increase is the result of increased open enrollment receipts and property tax receipts used to fund debt service exceeding the required debt service payments.

The School District's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 26.4 and 51.3 percent of the total cash received for governmental activities during the fiscal year.

**USING THE BASIC FINANCIAL STATEMENTS**

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

**Report Components**

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

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

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

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. The School District also reports long-term investments as assets, valued at cost.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

**REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs. The School District's significant governmental funds are presented on the financial statements in separate columns.



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and the Bond Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

**THE SCHOOL DISTRICT AS A WHOLE**

Table 1 provides a summary of the School District's net assets for fiscal year 2005 compared to fiscal year 2004 on a modified cash basis:

**(Table 1)  
Net Assets**

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$1,872,823	\$1,598,610
Investments	30,000	210,000
	<u>1,902,823</u>	<u>1,808,610</u>
<b>Net Assets</b>		
Restricted for:		
Capital Outlay	\$87,805	\$121,429
Debt Service	687,811	632,602
Other Purposes	171,872	146,338
Set-asides	1,867	0
Bus Purchases	7,792	4,051
Unrestricted	945,676	904,190
Total Net Assets	<u>\$1,902,823</u>	<u>\$1,808,610</u>

As mentioned previously, net assets of governmental activities increased \$94,213 or 5.2 percent during fiscal year 2005. The primary reasons contributing to the increase in cash balance is due to increased revenues for open enrollment and property tax receipts for debt service exceeding debt service payments.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2005 as compared with fiscal year 2004.

**(Table 2)  
Changes in Net Assets**

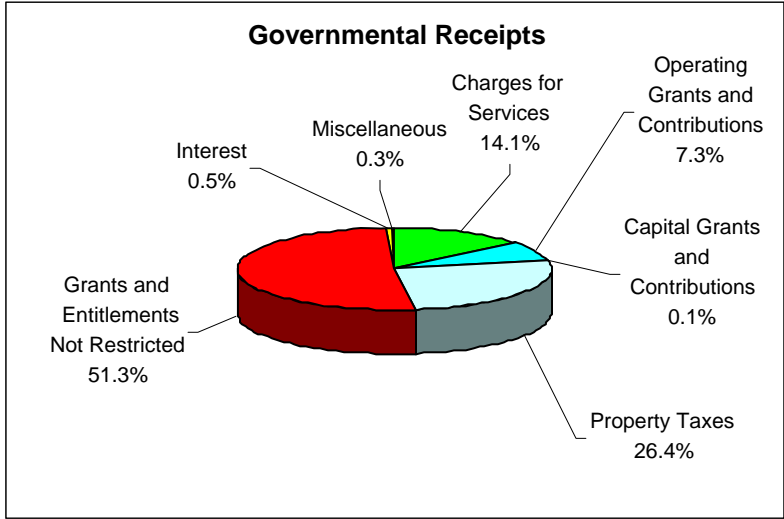
	<b>Governmental Activities 2005</b>	<b>Governmental Activities 2004</b>
<b>Receipts:</b>		
Program Receipts:		
Charges for Services and Sales	\$665,624	\$571,519
Operating Grants and Contributions	345,607	291,246
Capital Grants and Contributions	3,741	5,041
Total Program Receipts	<u>1,014,972</u>	<u>867,806</u>
General Receipts:		
Property Taxes	1,246,285	1,210,137
Grants and Entitlements Not Restricted to Specific Programs	2,421,903	2,391,323
Interest	27,094	10,731
Miscellaneous	13,465	11,585
Total General Receipts	<u>3,708,747</u>	<u>3,623,776</u>
Total Receipts	<u>4,723,719</u>	<u>4,491,582</u>
<b>Disbursements:</b>		
Instruction	2,454,866	2,436,116
Support Services:		
Pupils and Instructional Staff	509,624	514,929
Board of Education, Administration and Fiscal	530,150	534,555
Operation and Maintenance of Plant	321,555	301,497
Pupil Transportation	86,986	97,202
Central	6,844	8,017
Operation of Non-Instructional Services	5,400	7,879
Operation of Food Service	162,483	141,551
Extracurricular Activities	187,730	191,841
Capital Outlay	108,834	40,891
Debt Service	255,034	256,134
Total Disbursements	<u>4,629,506</u>	<u>4,530,612</u>
Increase in Net Assets	94,213	(39,030)
Net Assets, July 1, 2004	1,808,610	1,847,640
Net Assets, June 30, 2005	<u><u>\$1,902,823</u></u>	<u><u>\$1,808,610</u></u>

**Governmental Activities**

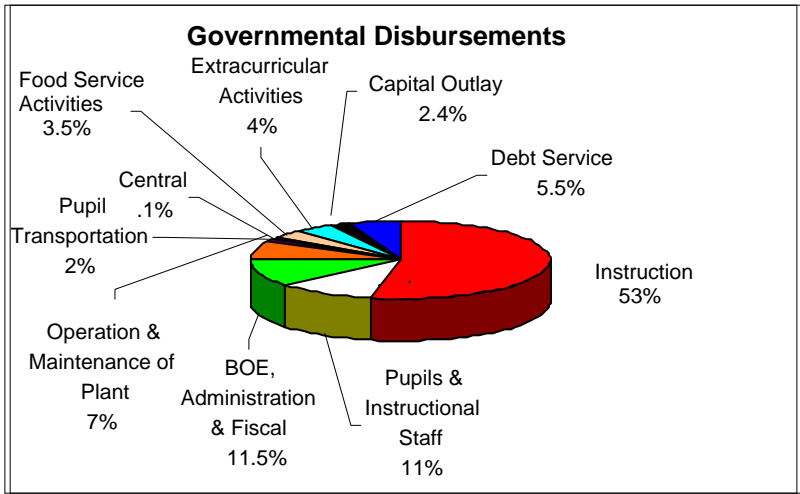
The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. Property taxes make up 26.4 percent of receipts. Grants and entitlements not restricted, the School District's largest source of receipts consists largely of state foundation monies.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**



Instruction comprises 53 percent of the School District's disbursements. Support services make up 31.6 percent of disbursements.



If you look at the Statement of Activities on page 12 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2005</b>	<b>Net Cost of Services 2005</b>
Instruction	\$2,454,866	\$1,789,180
Support Services:		
Pupils and Instructional Staff	509,624	389,537
Board of Education, Administration and Fiscal	530,150	530,150
Operation and Maintenance of Plant	321,555	321,555
Pupil Transportation	86,986	75,791
Central	6,844	1,844
Operation of Non-Instructional Services	5,400	594
Operation of Food Service	162,483	7,081
Extracurricular Activities	187,730	134,934
Capital Outlay	108,834	108,834
Debt Service	255,034	255,034
Total Expenses	<u>\$4,629,506</u>	<u>\$3,614,534</u>

The dependence upon property tax receipts and grants and entitlements not restricted to specific programs is apparent as over 78 percent of governmental activities are supported through these general receipts.

**THE SCHOOL DISTRICT'S FUNDS**

Total governmental funds had receipts of \$4,723,719 and disbursements of \$4,629,506. The greatest changes occurred within the General and the Bond Retirement Funds. The increase in open enrollment receipts attributed to the General Fund balance increase and property tax collections in excess of required debt payments contributed to the bond retirement fund increase. The fund balance of non major funds remained relatively stable.

**GENERAL FUND BUDGETING HIGHLIGHTS**

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2005, the School District amended its General Fund budget several times to reflect changing circumstances; however, total receipts and total appropriations never changed, only the allocation of those estimates. Capital outlay appropriations were decreased to provide for a transfer of \$56,700 to a Severance Special Revenue Fund. The School District closely monitored expenditures enabling the school district to spend \$911,990 less than what was appropriated.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The School District did not report capital assets or infrastructure on this modified cash basis of accounting.

**Debt**

At June 30, 2005, the School District's outstanding debt included \$1,175,000 in general obligation bonds issued for improvements to buildings and structures. For further information regarding the School District's debt, refer to Note 9 to the basic financial statements.

**CURRENT ISSUES**

The School District is proud of its community support of the public schools. The School District's voters have approved permanent improvement levies by large margins. The upkeep and major renovations of the building has been done with permanent improvement monies therefore reducing those expenses from the General Fund.

The School District has closely monitored its operating expenditures. The School District's last operating levy was 24 years ago. In the past few years, several teachers with 30 to 35 years of teaching experience have retired and have been replaced with less experienced personnel in an effort to reduce salary expenses. Since payroll, retirement and benefits are the majority of all school expenses, this savings has been critical.

As student enrollment continues to decrease, the School District closely monitors State foundation dollars, as this revenue is tied to enrollment and this funding method from the State has been declared unconstitutional.

The continued challenge for all School Districts is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Patrick Elsass, Treasurer at 208 North Sycamore Street, Post Office Box 550, Botkins, Ohio 45306.

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**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2005**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,872,823
Investments	<u>30,000</u>
Total Assets	1,902,823
<b>Net Assets</b>	
Restricted for:	
Capital Outlay	87,805
Debt Service	687,811
Other Purposes	171,872
Set Asides	1,867
Bus Purchases	7,792
Unrestricted	<u>945,676</u>
<b>Total Net Assets</b>	<b><u><u>\$1,902,823</u></u></b>

*See accompanying notes to the basic financial statements*

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Program Cash Receipts</u>			<b>Net (Disbursements) Receipts and Changes in Net Assets</b>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
<b>Governmental Activities</b>					
Instruction:					
Regular	\$1,888,112	\$426,523	\$59,596		(\$1,401,993)
Special	411,772		170,224		(241,548)
Vocational	144,309		9,343		(134,966)
Other	10,673				(10,673)
Support Services:					
Pupil	222,689	49,680	20,060		(152,949)
Instructional Staff	286,935		50,347		(236,588)
Board of Education	13,232				(13,232)
Administration	364,937				(364,937)
Fiscal	151,981				(151,981)
Operation and Maintenance of Plant	321,555				(321,555)
Pupil Transportation	86,986	7,454		3,741	(75,791)
Central	6,844		5,000		(1,844)
Operation of Non-Instructional Services	5,400		4,806		(594)
Operation of Food Services	162,483	129,326	26,076		(7,081)
Extracurricular Activities	187,730	52,641	155		(134,934)
Capital Outlay	108,834				(108,834)
Principal Retirement	165,000				(165,000)
Interest and Fiscal Charges	90,034				(90,034)
<b>Total Governmental Activities</b>	<u><u>\$4,629,506</u></u>	<u><u>\$665,624</u></u>	<u><u>\$345,607</u></u>	<u><u>\$3,741</u></u>	<u><u>(3,614,534)</u></u>

**General Receipts**

Property Taxes Levied for:	
General Purposes	863,981
Capital Outlay	77,450
Debt Service	284,691
Other Purposes	20,163
Grants and Entitlements not Restricted to Specific Programs	2,421,903
Interest	27,094
Miscellaneous	13,465
<b>Total General Receipts</b>	<u><u>3,708,747</u></u>
Change in Net Assets	94,213
Net Assets Beginning of Year	<u><u>1,808,610</u></u>
<b>Net Assets End of Year</b>	<u><u>\$1,902,823</u></u>

See accompanying notes to the basic financial statements



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$945,676	\$687,811	\$229,677	\$1,863,164
Investments			30,000	30,000
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	9,659			9,659
<b>Total Assets</b>	<u>955,335</u>	<u>687,811</u>	<u>259,677</u>	<u>1,902,823</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	17,478		8,322	25,800
Reserved for Bus Purchases	7,792			7,792
Reserved for Textbooks and Instructional Materials	1,867			1,867
Unreserved, Undesignated, Reported in:				
General Fund	928,198			928,198
Special Revenue Funds			165,248	165,248
Debt Service Fund		687,811		687,811
Capital Projects Fund			86,107	86,107
<b>Total Fund Balances</b>	<u>\$955,335</u>	<u>\$687,811</u>	<u>\$259,677</u>	<u>\$1,902,823</u>

*See accompanying notes to the basic financial statements.*

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts</b>				
Property Taxes	\$863,981	\$284,691	\$97,613	\$1,246,285
Intergovernmental	2,391,245	31,343	335,288	2,757,876
Interest	27,094		931	28,025
Tuition and Fees	426,523			426,523
Extracurricular Activities			109,775	109,775
Charges for Services			129,326	129,326
Miscellaneous	6,681		12,444	19,125
<b>Total Cash Receipts</b>	<b>3,715,524</b>	<b>316,034</b>	<b>685,377</b>	<b>4,716,935</b>
<b>Cash Disbursements</b>				
Current:				
Instruction:				
Regular	1,829,478		58,634	1,888,112
Special	237,775		173,997	411,772
Vocational	144,309			144,309
Other	10,673			10,673
Support Services:				
Pupil	137,676		85,013	222,689
Instructional Staff	211,548		75,387	286,935
Board of Education	13,232			13,232
Administration	364,937			364,937
Fiscal	144,195	5,791	1,995	151,981
Operation and Maintenance of Plant	314,351		7,204	321,555
Pupil Transportation	78,793		8,193	86,986
Central	1,844		5,000	6,844
Operation of Non-Instructional Services			5,400	5,400
Operation of Food Services			162,483	162,483
Extracurricular Activities	129,703		58,027	187,730
Capital Outlay			108,834	108,834
Debt Service:				
Principal Retirement		165,000		165,000
Interest and Fiscal Charges		90,034		90,034
<b>Total Cash Disbursements</b>	<b>3,618,514</b>	<b>260,825</b>	<b>750,167</b>	<b>4,629,506</b>
Excess of Receipts Over (Under) Disbursements	97,010	55,209	(64,790)	87,429
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	766			766
Refund of Prior Year Expenditures	6,018			6,018
Transfers In			56,700	56,700
Transfers Out	(56,700)			(56,700)
<b>Total Other Financing Sources (Uses)</b>	<b>(49,916)</b>		<b>56,700</b>	<b>6,784</b>
Net Change in Fund Balances	47,094	55,209	(8,090)	94,213
Fund Balances Beginning of Year	908,241	632,602	267,767	1,808,610
<b>Fund Balances End of Year</b>	<b>\$955,335</b>	<b>\$687,811</b>	<b>\$259,677</b>	<b>\$1,902,823</b>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN FUND CASH BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts</b>				
Property Taxes	\$963,643	\$963,643	\$863,981	(\$99,662)
Intergovernmental	2,358,100	2,358,100	2,391,245	33,145
Interest	9,500	9,500	27,094	17,594
Tuition and Fees	357,500	357,500	426,523	69,023
Miscellaneous	7,500	7,500	6,681	(819)
<b>Total Receipts</b>	<b>3,696,243</b>	<b>3,696,243</b>	<b>3,715,524</b>	<b>19,281</b>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	2,023,102	2,037,102	1,830,754	206,348
Special	292,700	292,700	237,795	54,905
Vocational	159,750	159,750	144,360	15,390
Other	15,400	15,400	10,673	4,727
Support Services:				
Pupil	149,995	158,995	138,100	20,895
Instructional Staff	273,150	285,750	211,624	74,126
Board of Education	17,300	17,300	13,232	4,068
Administration	795,656	758,556	370,167	388,389
Fiscal	160,708	162,208	144,863	17,345
Operation and Maintenance of Plant	366,596	366,596	323,285	43,311
Pupil Transportation	135,387	135,387	79,542	55,845
Central	2,550	2,550	1,844	706
Operation of Non-Instructional Services	100	100	100	100
Extracurricular Activities	150,588	150,588	129,753	20,835
Capital Outlay	61,700	5,000		5,000
<b>Total Disbursements</b>	<b>4,604,682</b>	<b>4,547,982</b>	<b>3,635,992</b>	<b>911,990</b>
Excess of Receipts Over (Under) Disbursements	(908,439)	(851,739)	79,532	931,271
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	200	200	766	566
Refund of Prior Year Expenditures			6,018	6,018
Transfers Out		(56,700)	(56,700)	
<b>Total Other Financing Sources (Uses)</b>	<b>200</b>	<b>(56,500)</b>	<b>(49,916)</b>	<b>6,584</b>
Net Change in Fund Balance	(908,239)	(908,239)	29,616	937,855
Fund Balance Beginning of Year	888,507	888,507	888,507	
Prior Year Encumbrances Appropriated	19,732	19,732	19,732	
<b>Fund Balance End of Year</b>	<b>\$0</b>	<b>\$0</b>	<b>\$937,855</b>	<b>\$937,855</b>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2005**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$3,827	\$36,103
Investments	60,000	
<b>Total Assets</b>	<b>63,827</b>	<b>36,103</b>
<b>Net Assets</b>		
Held in Trust for Scholarships:		
Expendable	2,119	
Non-expendable	61,708	
Held For Students		36,103
<b>Total Net Assets</b>	<b>\$63,827</b>	<b>\$36,103</b>

*See accompanying notes to the basic financial statements.*

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	\$990
<b>Deductions</b>	
Scholarships	<u>700</u>
Change in Net Assets	290
Net Assets - Beginning of Year	<u>63,537</u>
<b>Net Assets - End of Year</b>	<u><u>\$63,827</u></u>

*See accompanying notes to the basic financial statements.*

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**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

Botkins Local School District (the "School District") is organized under Article VI, Section 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 mandated by the State and federal agencies.

The School District is located in Shelby County. The Board of Education controls the School District's instructional/support building which is staffed by 25 classified employees and 43 certificated full-time personnel who provide services to 564 students and other community members.

**A. Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic 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 Botkins Local School District, this includes general operations, food service and student related activities.

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 also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. There are no component units of the School District.

The School District participates in three jointly governed organizations and three insurance purchasing pools. Note 12 to the basic financial statements provides additional information for these entities. These organizations are:

**Jointly Governed Organizations:**

- Western Ohio Computer Organization
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

**Insurance Purchasing Pools:**

- Ohio School Boards Association Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium
- Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As required by Ohio Administrative Code Section 117-2-03 (B) the School District prepared and filed its annual financial report in accordance with generally accepted accounting principles. However, the School District chooses to prepare (for audit purposes) its financial statements and notes in accordance with the modified cash basis of accounting.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other non exchange transactions.

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

**2. Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental or fiduciary.



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

1. **Governmental Funds:** The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

**General Fund** - The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

**Bond Retirement Fund** - The bond retirement fund accounts for the accumulation of resources received from property taxes for the payment of school improvement general obligation bond principal, interest and related costs.

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

2. **Fiduciary Funds:** Fiduciary funds account for cash and investments where the School District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs.

The School District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature, where the School District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for student activities' cash.

**C. Basis of Accounting**

The School District's financial statements are prepared using the modified cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis. The School District recognizes revenues when received in cash rather than when earned and recognizes expenditures when paid rather than when a liability is incurred.

The School District also reports long-term investments as assets, valued at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund/function level for the general fund, bond retirement debt service fund, classroom facilities special revenue fund and permanent improvement capital project fund, and at the fund level for all remaining funds

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**E. Cash, Cash Equivalents and Investments**

The School District pools cash from all funds, except for the student memorial special revenue fund and the scholarship private purpose trust fund, for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The School District values investments and cash equivalents at cost. For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of the sale are recorded as receipts or negative receipts, respectively.

The School District invested funds in certificates of deposit and repurchase agreements during fiscal year 2005.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 was \$27,094, including \$13,709 assigned from other School District funds.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**F. Restricted Assets**

The financial statements classify cash, cash equivalents and investments as restricted when external limitations on their use change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash and investments in the General Fund include amounts State statute requires to be set aside for bus purchases and textbooks and instructional materials. See Note 11 for additional information regarding set-asides.

**G. Inventory and Prepaid Items**

On the modified cash-basis of accounting, inventories of supplies and prepaid items are reported as disbursements when purchased.

**H. Capital Assets**

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

**I. Compensated Absences**

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal and interest payments.

**L. Net Assets**

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net assets restricted for other purposes include resources restricted for food services operations, athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**M. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use, or which are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial intent. Fund equity reserves have been established for encumbrances, bus purchases and textbooks and instructional materials.

**N. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**3. DEPOSITS AND INVESTMENTS**

**A. Investment Policies**

State statutes require the classification of the 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 monies 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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, or Ohio local governments;
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;
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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.

**B. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

At fiscal year-end, the carrying amount of the School District's deposits was \$507,496. Cash balances per the bank were \$540,778. \$350,778 of the School District's deposits was insured by Federal depository insurance. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2005, \$190,000 of the School District's bank balance was exposed to custodial risk and 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, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**C. Investments**

The School District investment at June 30, 2005, consisted of a repurchase agreement in the amount \$1,495,257.

1. **Interest Rate Risk** - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's repurchase agreement matures in less than one year.
  
2. **Custodial Credit Risk** – The School District's \$1,495,257 investment in repurchase agreements is exposed to credit risk due to the underlying securities are held by the investment's counterparty or its trust department or agent, not in the School District's name.

The School District has no investment policy dealing with Investment custodial risk beyond the requirements in 135.14(M)(2) which states "Payment for investments shall be made only upon delivery of securities representing such investments to the Treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall only be made upon receipt of confirmation of transfer from the custodian by the Treasurer, governing board, or qualified trustee.

3. **Concentration of Credit Risk** - The School District places no limits on the amount the School District may invest in any one issuer. The School District's investments consist solely of an investment in a repurchase agreement.

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the modified cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Change in Fund Balance - Budget and Actual (Budget Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and modified cash basis is outstanding year-end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (modified cash).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statement to the budgetary basis statement for the general fund:

<b>Net Change in Fund Balance</b>	
Modified Cash Basis	\$47,094
Adjustment for Encumbrances	(17,478)
Budget Basis	<u>\$29,616</u>

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three 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 Shelby and Auglaize Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<b>2004 Second- Half Collections</b>		<b>2005 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/ Residential and Other Real Estate	\$35,775,540	79.04%	\$36,337,930	80.09%
Public Utility Personal	34,360	0.07	35,640	0.08
Tangible Personal Property	9,454,128	20.89	8,995,866	19.83
<b>Total</b>	<b>\$45,264,028</b>	<b>100.00%</b>	<b>\$45,369,436</b>	<b>100.00%</b>
Tax rate per \$1.000 of assessed valuation	\$34.05		\$34.05	

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**6. 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 2005, the School District participated in the Southwestern Ohio Educational Council Property, Fleet and Liability Program (Note 12) for general liability, property and fleet insurance. Coverage provided is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$13,241,656
Crime Insurance (\$1,000 deductible)	500,000
Automobile Liability (\$1,000 deductible)	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Uninsured/Underinsured Motorists (\$500 deductible)	
Each Occurrence	1,000,000
Aggregate limit	3,000,000
General Liability	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Education General Liability	
Each Occurrence	1,000,000
General Aggregate Limit	3,000,000
Employee Benefits Liability (\$1,000 deductible)	
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
School Bond Legal Liability (\$5,000 deductible)	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000
Excess Liability Aggregate Limit	5,000,000

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

**B. Workers' Compensation**

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Medical Benefits**

For fiscal year 2005, the School District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 12). The intent of the Consortium 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 Consortium.

**7. 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 10 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, 2005, 2004 and 2003 were \$47,579, \$39,772 and \$33,745 respectively; 48 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The 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.

The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB plan. Contributions to the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

**DB Plan Benefits** – Benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation.

Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary.

The 31<sup>st</sup> year of Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent.

Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into member's accounts are vested after the first anniversary of the first day of paid service. 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.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3 percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$267,553, \$266,786, and \$252,213 respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$4,659 made by the School District and \$6,994 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, 2004, 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.

**8. 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 partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and obligations to contribute are established by the systems based on authority granted by state statute. Both systems are funded on a pay-as-you-go basis.

Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents.

By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal years ended June 30, 2005, and June 20, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$20,581 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (the latest available information), the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease from 4.91 percent in fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$22,287.

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. Health care benefits are financed on a pay-as-you-go basis. 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, 2004 (the latest available information), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**9. LONG-TERM DEBT**

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	<b>Principal Outstanding 6/30/04</b>	<b>Additions</b>	<b>Reductions</b>	<b>Principal Outstanding 6/30/05</b>	<b>Amounts Due in One Year</b>
<b>Governmental Activities</b>					
General Obligation Bonds:					
1990 School Improvement Bonds	\$905,000	\$0	\$130,000	\$775,000	\$135,000
1995 Building Assistance Bond	435,000	0	35,000	400,000	35,000
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,340,000</u>	<u>\$0</u>	<u>\$165,000</u>	<u>\$1,175,000</u>	<u>\$170,000</u>

**School Improvement Bonds** – Series A and B – On March 1, 1990, the School District issued \$2,500,000 in voted general obligation bonds for the purpose of additions and improvements to the school building. The bond was issued for a twenty year period with final maturity in December 2010. The bonds interest rate ranges from 5.8 to 7.2 percent. The will be retired from the Bond Retirement Debt Service Fund.

**Building Assistance Bond** – On January 15, 1995, Botkins Local School District issued \$750,000 in voted general obligation bonds for the purpose of acquisition, construction, reconstruction and improvement of buildings and structures and the acquisition of sites. The bonds were issued for a twenty-three year period with a final maturity during fiscal year 2018. The bonds will be retired from the Bond Retirement Debt Service Fund.

At June 30, 2005, the School District's overall legal debt margin was \$3,596,060 with an unvoted debt margin of \$45,369.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**9. LONG-TERM DEBT (Continued)**

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2005, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$170,000	\$77,895	\$247,895
2007	180,000	64,735	244,735
2008	185,000	51,443	236,443
2009	195,000	38,003	233,003
2010	205,000	23,768	228,768
2011 – 2015	150,000	56,515	206,515
2016 – 2018	90,000	9,249	99,249
Total	<u>\$1,175,000</u>	<u>\$321,608</u>	<u>\$1,496,608</u>

**10. INTERFUND TRANSACTIONS**

At June 30, 2005, the General Fund had transferred \$56,700 to the severance special revenue fund in order to fund future severance payments.

**11. SET-ASIDE REQUIREMENTS**

State statute annually requires the School District set aside in the general fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. 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 following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital acquisition. State statute requires disclosing this information.

	<b>Capital Improvements</b>	<b>Textbooks &amp; Instructional Materials</b>
Set-aside Reserve Balance as of June 30, 2004	\$ 0	\$ (5,368)
Current Year Set-aside Requirement	82,167	82,167
Current Year Offsets	(97,613)	0
Qualifying Disbursements	0	(74,932)
Total	<u>\$ (15,446)</u>	<u>\$ 1,867</u>
Total Set-aside Reserve Balance at June 30, 2005	<u>\$ 0</u>	<u>\$ 1,867</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amounts below zero. These extra amounts may not be used to reduce the set-aside requirement of future fiscal years. Therefore, this negative amount is not presented as being carried forward to the next fiscal year.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS**

**A. Jointly Governed Organizations**

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

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools within the county plus one representative from the fiscal agent. The School District paid WOCO \$21,204 for services provided during the fiscal year.

Financial information can be obtained from Louis Ivey, who serves as Director, at 129 E. Court Street, Sidney, OH 45365.

**Southwestern Ohio Education Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 123 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2005, the School District paid \$31,548 to SOEPC.

To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

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

The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2005, the School District paid \$2,866 to SOITA.

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

**B. Insurance Purchasing Pools**

**Ohio School Boards Association Workers' Compensation Group Rating Plan** - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the president, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as 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.

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

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for dental and health insurance and Medical Life Insurance Company for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating school district and the educational service center. The degree of control exercised by any participating school district is limited to its representation on the committee.

Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 N. Ludlow St. Dayton, Ohio 45402.

**Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program**  
The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts.

Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**13. DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust funds include donor-restricted endowments. These assets are shown as net assets held in trust for scholarships - non-expendable to represent the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body is shown as net assets held in trust for scholarships - expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments of the private purpose funds indicate that the interest should be used to provide scholarships.

**14. CONTINGENCIES**

**A. Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2005.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

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**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

This discussion and analysis of the Botkins Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004, within the limitations of the School District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**HIGHLIGHTS**

Key highlights for fiscal year 2004 are as follows:

Net assets of governmental activities decreased \$39,030 or 2.1 percent. The fund most affected by the decrease was the General Fund which realized the greatest burden of increased costs in fiscal year 2004.

The School District's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 26.9 and 53.2 percent of the total cash received for governmental activities during the fiscal year.

**USING THE BASIC FINANCIAL STATEMENTS**

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

**Report Components**

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

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

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

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. The School District also reports long-term investments as assets, valued at cost.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

**REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs. The School District's significant governmental funds are presented on the financial statements in separate columns.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

The information for non major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and the Bond Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

**THE SCHOOL DISTRICT AS A WHOLE**

Table 1 provides a summary of the School District's net assets for fiscal year 2004 compared to fiscal year 2003 on a modified cash basis:

**(Table 1)  
Net Assets**

	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$1,598,610	\$1,847,640
Investments	210,000	
	<u>\$1,808,610</u>	<u>\$1,847,640</u>
<b>Net Assets</b>		
Restricted for:		
Capital Outlay	\$121,429	\$97,931
Debt Service	632,602	585,344
Other Purposes	146,338	174,041
Bus Purchases	4,051	0
Unrestricted	904,190	990,324
Total Net Assets	<u>\$1,808,610</u>	<u>\$1,847,640</u>

As mentioned previously, net assets of governmental activities decreased \$39,030, or 2.1 percent, during fiscal year 2004. The primary reasons contributing to the decrease in cash balance is due to increased general fund expenditures for payroll and health insurance.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2004. Since the School District did not prepare financial statements in this format for fiscal year 2003, a comparative analysis of government-wide data as not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**(Table 2)  
Changes in Net Assets**

	<b>Governmental Activities 2004</b>
<b>Receipts:</b>	
Program Receipts:	
Charges for Services and Sales	\$571,519
Operating Grants and Contributions	291,246
Capital Grants and Contributions	5,041
Total Program Receipts	867,806
General Receipts:	
Property Taxes	1,210,137
Grants and Entitlements Not Restricted to Specific Programs	2,391,323
Interest	10,731
Miscellaneous	11,585
Total General Receipts	3,623,776
Total Receipts	4,491,582
<b>Disbursements:</b>	
Instruction	2,436,116
Support Services:	
Pupils and Instructional Staff	514,929
Board of Education, Administration and Fiscal	534,555
Operation and Maintenance of Plant	301,497
Pupil Transportation	97,202
Central	8,017
Operation of Non-Instructional Services	7,879
Operation of Food Service	141,551
Extracurricular Activities	191,841
Capital Outlay	40,891
Debt Service	256,134
Total Disbursements	4,530,612
Increase in Net Assets	(39,030)
Net Assets, July 1, 2003	1,847,640
<b>Net Assets, June 30, 2004</b>	<b>\$1,808,610</b>

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

**Governmental Activities**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes make up 26.9 percent of receipts. Grants and entitlements not restricted, the School District's largest source of receipts consists largely of state foundation monies. Instruction comprises 53.8 percent of the School District's disbursements. Support services make up 32.1 percent of disbursements.

If you look at the Statement of Activities on page 48 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services.

The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement.

A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2004</b>	<b>Net Cost of Services 2004</b>
Instruction	\$2,436,116	\$1,889,572
Support Services:		
Pupils and Instructional Staff	514,929	407,311
Board of Education, Administration and Fiscal	534,555	534,555
Operation and Maintenance of Plant	301,497	301,497
Pupil Transportation	97,202	86,452
Central	8,017	3,017
Operation of Non-Instructional Services	7,879	2,594
Operation of Food Service	141,551	3,147
Extracurricular Activities	191,841	137,636
Capital Outlay	40,891	40,891
Debt Service	256,134	256,134
<b>Total Expenses</b>	<b>\$4,530,612</b>	<b>\$3,662,806</b>

The dependence upon property tax receipts and grants and entitlements not restricted to specific programs is apparent as over 80.2 percent of governmental activities are supported through these general receipts.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

**THE SCHOOL DISTRICT'S FUNDS**

Total governmental funds had receipts of \$4,491,582 and disbursements of \$4,530,612. The greatest change occurred within the General Fund. The increase in expenditures for payroll and health insurance attributed to the General Fund balance decrease. The balance of the Bond Retirement fund increased due to tax receipts in excess of required debt payments, while the balance of the non major fund remained relatively stable.

**GENERAL FUND BUDGETING HIGHLIGHTS**

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During fiscal year 2004, the School District amended its General Fund budget several times to reflect changing circumstances; however, total receipts and total appropriations never changed, only the allocation of those estimates. Administration appropriations were decreased to provide for a transfer out of \$23,000 to a Severance Special Revenue Fund. The School District closely monitored expenditures enabling the School District to spend \$780,550 less than what was appropriated.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The School District did not report capital assets or infrastructure on this modified cash basis of reporting.

**Debt**

At June 30, 2004, the School District's outstanding debt included \$1,340,000 in general obligation bonds issued for improvements to buildings and structures. For further information regarding the School District's debt, refer to Note 11 to the basic financial statements.

**CURRENT ISSUES**

The School District is proud of its community support of the public schools. The School District's voters have approved permanent improvement levies by large margins. The upkeep and major renovations of the building has been done with permanent improvement monies therefore reducing those expenses from the General Fund.

The School District has closely monitored its operating expenditures. The School District's last operating levy was 23 years ago. In the past few years, several teachers with 30 to 35 years of teaching experience have retired and have been replaced with less experienced personnel in an effort to reduce salary expenses. Since payroll, retirement and benefits are the majority of all school expenses, this savings has been critical. As student enrollment continues to decrease, the School District closely monitors State foundation dollars, as this revenue is tied to enrollment and this funding method from the State has been declared unconstitutional.

The continued challenge for all School Districts is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding.



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Patrick Elsass, Treasurer at 208 North Sycamore Street, Post Office Box 550, Botkins, Ohio 45306.

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**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2004**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,598,610
Investments	<u>210,000</u>
Total Assets	1,808,610
<b>Net Assets</b>	
Restricted for:	
Capital Outlay	121,429
Debt Service	632,602
Other Purposes	146,338
Bus Purchases	4,051
Unrestricted	<u>904,190</u>
<b>Total Net Assets</b>	<b><u><u>\$1,808,610</u></u></b>

*See accompanying notes to the basic financial statements.*

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
<b>Governmental Activities</b>					
Instruction:					
Regular	\$1,919,232	\$352,957	\$78,504	\$990	(\$1,486,781)
Special	358,412		104,880		(253,532)
Vocational	147,920		9,213		(138,707)
Other	10,552				(10,552)
Support Services:					
Pupil	203,100	43,599	6,991		(152,510)
Instructional Staff	311,829		57,028		(254,801)
Board of Education	15,529				(15,529)
Administration	370,192				(370,192)
Fiscal	148,834				(148,834)
Operation and Maintenance of Plant	301,497				(301,497)
Pupil Transportation	97,202	6,699		4,051	(86,452)
Central	8,017		5,000		(3,017)
Operation of Non-Instructional Services	7,879		5,285		(2,594)
Operation of Food Services	141,551	114,059	24,345		(3,147)
Extracurricular Activities	191,841	54,205			(137,636)
Capital Outlay	40,891				(40,891)
Principal Retirement	155,000				(155,000)
Interest and Fiscal Charges	101,134				(101,134)
<b>Total Governmental Activities</b>	<b>\$4,530,612</b>	<b>\$571,519</b>	<b>\$291,246</b>	<b>\$5,041</b>	<b>(3,662,806)</b>
<b>General Receipts</b>					
Property Taxes Levied for:					
				842,733	
				69,433	
				278,271	
				19,700	
Grants and Entitlements					
				2,391,323	
				10,731	
				11,585	
				<u>3,623,776</u>	
					(39,030)
					<u>1,847,640</u>
					<b><u>\$1,808,610</u></b>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$904,190	\$432,602	\$257,767	\$1,594,559
Investments		200,000	10,000	210,000
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	4,051			4,051
<b>Total Assets</b>	<u>908,241</u>	<u>632,602</u>	<u>267,767</u>	<u>1,808,610</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	19,732		101,369	121,101
Reserved for Bus Purchases	4,051			4,051
Unreserved, Undesignated, Reported in:				
General Fund	884,458			884,458
Special Revenue Funds			114,200	114,200
Debt Service Fund		632,602		632,602
Capital Projects Fund			52,198	52,198
<b>Total Fund Balances</b>	<u>\$908,241</u>	<u>\$632,602</u>	<u>\$267,767</u>	<u>\$1,808,610</u>

*See accompanying notes to the basic financial statements.*

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash Receipts</b>				
Property Taxes	\$842,733	\$278,271	\$89,133	\$1,210,137
Intergovernmental	2,363,360	31,068	279,268	2,673,696
Interest	8,879		301	9,180
Tuition and Fees	352,957			352,957
Extracurricular Activities			105,494	105,494
Charges for Services			114,058	114,058
Miscellaneous	8,221		14,475	22,696
Total Cash Receipts	<u>3,576,150</u>	<u>309,339</u>	<u>602,729</u>	<u>4,488,218</u>
<b>Cash Disbursements</b>				
Current:				
Instruction:				
Regular	1,810,898		108,334	1,919,232
Special	255,222		103,190	358,412
Vocational	146,920		1,000	147,920
Other	10,552			10,552
Support Services:				
Pupil	142,794		60,306	203,100
Instructional Staff	227,432		84,397	311,829
Board of Education	15,529			15,529
Administration	370,192			370,192
Fiscal	140,971	5,947	1,916	148,834
Operation and Maintenance of Plant	298,234		3,263	301,497
Pupil Transportation	89,269		7,933	97,202
Central	1,667		6,350	8,017
Operation of Non-Instructional Services			7,879	7,879
Operation of Food Services			141,551	141,551
Extracurricular Activities	128,917		62,924	191,841
Capital Outlay			40,891	40,891
Debt Service:				
Principal Retirement		155,000		155,000
Interest and Fiscal Charges		101,134		101,134
Total Cash Disbursements	<u>3,638,597</u>	<u>262,081</u>	<u>629,934</u>	<u>4,530,612</u>
Excess of Receipts Over (Under) Disbursements	(62,447)	47,258	(27,205)	(42,394)
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	265			265
Refund of Prior Year Expenditures	3,099			3,099
Transfers In			23,000	23,000
Transfers Out	(23,000)			(23,000)
Total Other Financing Sources (Uses)	<u>(19,636)</u>		<u>23,000</u>	<u>3,364</u>
Net Change in Fund Balances	(82,083)	47,258	(4,205)	(39,030)
Fund Balances Beginning of Year	990,324	585,344	271,972	1,847,640
<b>Fund Balances End of Year</b>	<u><u>\$908,241</u></u>	<u><u>\$632,602</u></u>	<u><u>\$267,767</u></u>	<u><u>\$1,808,610</u></u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN FUND CASH BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$887,000	\$887,000	\$842,733	(\$44,267)
Intergovernmental	2,290,583	2,290,583	2,363,360	72,777
Interest	20,000	20,000	8,879	(11,121)
Tuition and Fees	269,973	269,973	352,957	82,984
Miscellaneous	3,500	3,500	8,486	4,986
<b>Total Receipts</b>	<b>3,471,056</b>	<b>3,471,056</b>	<b>3,576,415</b>	<b>105,359</b>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	1,983,528	1,990,328	1,816,303	174,025
Special	317,406	327,906	255,222	72,684
Vocational	167,415	165,165	146,921	18,244
Other	20,000	20,000	10,952	9,048
Support Services:				
Pupil	157,175	159,275	143,340	15,935
Instructional Staff	282,072	286,872	227,433	59,439
Board of Education	25,050	25,050	15,529	9,521
Administration	651,860	607,210	370,480	236,730
Fiscal	161,087	161,587	141,128	20,459
Operation and Maintenance of Plant	366,367	365,367	307,545	57,822
Pupil Transportation	115,444	115,444	92,756	22,688
Central	4,075	4,075	1,717	2,358
Operation of Non-Instructional Services	100	100		100
Extracurricular Activities	148,600	148,800	129,003	19,797
Capital Outlay	61,700	61,700		61,700
<b>Total Disbursements</b>	<b>4,461,879</b>	<b>4,438,879</b>	<b>3,658,329</b>	<b>780,550</b>
Excess of Receipts Over (Under) Disbursements	(990,823)	(967,823)	(81,914)	885,909
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	500	500		(500)
Refund of Prior Year Expenditures			3,099	3,099
Transfers Out		(23,000)	(23,000)	
<b>Total Other Financing Sources (Uses)</b>	<b>500</b>	<b>(22,500)</b>	<b>(19,901)</b>	<b>2,599</b>
<b>Net Change in Fund Balance</b>	<b>(990,323)</b>	<b>(990,323)</b>	<b>(101,815)</b>	<b>888,508</b>
Fund Balance Beginning of Year	959,242	959,242	959,242	
Prior Year Encumbrances Appropriated	31,081	31,081	31,081	
<b>Fund Balance End of Year</b>	<b>\$0</b>	<b>\$0</b>	<b>\$888,508</b>	<b>\$888,508</b>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$63,537	\$32,113
<b>Net Assets</b>		
Held in Trust for Scholarships:		
Expendable	1,829	
Non-expendable	61,708	
Held For Students		32,113
<b>Total Net Assets</b>	<b>\$63,537</b>	<b>\$32,113</b>

*See accompanying notes to the basic financial statements.*



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	\$388
<b>Deductions</b>	
Scholarships	<u>700</u>
Change in Net Assets	(312)
Net Assets - Beginning of Year	<u>63,849</u>
<b>Net Assets - End of Year</b>	<u><u>\$63,537</u></u>

*See accompanying notes to the basic financial statements.*

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**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Botkins 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 is located in Shelby County. The School District is staffed by 25 non-certificated employees, 40 certificated full-time teaching personnel and 3 administrative employees who provide services to 580 students and other community members. The School District currently operates one instructional/support 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 Botkins Local School District, this includes general operations, food service, and student related activities.

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 Note 13 to the general purpose financial statements. These organizations are:

**Jointly Governed Organizations:**

- Western Ohio Computer Organization
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

**Insurance Purchasing Pools:**

- Ohio School Boards Association Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium
- Southwestern Ohio Educational Purchasing Council Property, Fleet, and Liability Insurance Program

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As required by Ohio Administrative Code Section 117-2-03 (B) the School District prepared and filed its annual financial report in accordance with generally accepted accounting principles. However, the School District chooses to prepare (for audit purposes) its financial statements and notes in accordance with the modified cash basis of accounting.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other non exchange transactions.

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

**2. Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental or fiduciary.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

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

**General Fund** The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

**Bond Retirement Fund** The bond retirement fund accounts for the accumulation of resources received from property taxes for the payment of school improvement general obligation bond principal, interest and related costs.

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

2. **Fiduciary Funds:** Fiduciary funds account for cash and investments where the School District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs.

The School District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature, where the School District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for student activities' cash.

**C. Basis of Accounting**

The School District's financial statements are prepared using the modified cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis. The School District recognizes revenues when received in cash rather than when earned and recognizes expenditures when paid rather than when a liability is incurred.

The School District also reports long-term investments as assets, valued at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund/function level for the general fund, bond retirement debt service fund, classroom facilities special revenue fund and permanent improvement capital project fund, and at the fund level for all remaining funds

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**E. Cash, Cash Equivalents and Investments**

The School District pools cash from all funds, except for the student memorial special revenue fund and the scholarship private purpose trust fund, for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The School District values investments and cash equivalents at cost. For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of the sale are recorded as receipts or negative receipts, respectively.

The School District invested funds in certificates of deposit and repurchase agreements during fiscal year 2004.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 was \$8,879, including \$4,309 assigned from other School District funds.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**F. Restricted Assets**

The financial statements classify cash, cash equivalents and investments as restricted when external limitations on their use change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash and investments in the General Fund include amounts State statute requires to be set aside for bus purchases.

**G. Inventory and Prepaid Items**

On the modified cash-basis of accounting, inventories of supplies and prepaid items are reported as disbursements when purchased.

**H. Capital Assets**

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

**I. Compensated Absences**

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal and interest payments.

**L. Net Assets**

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net assets restricted for other purposes include resources restricted for food services operations, athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**M. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use, or which are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial intent. Fund equity reserves have been established for encumbrances and bus purchases.

**N. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2004, the School District changed its method of accounting for financial reporting from a basis of accounting formerly prescribed for school districts by the Auditor of State to a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

This basis of accounting is similar to the cash receipts and disbursements basis. The School District recognizes revenues when received in cash rather than when earned and recognizes expenditures when paid rather than when a liability is incurred. The School District also reports long-term investments as assets, valued at cost.

The financial statements now include government-wide financial statements presented on a modified cash basis and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. The government-wide financial statements combine the governmental activities into one column. The beginning net asset amount for governmental programs reflects the governmental fund balances for governmental funds at June 30, 2003. There was no effect on beginning fund balances at July 1, 2003.

**4. DEPOSITS AND INVESTMENTS**

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

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



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

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.

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).
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

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

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

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

At June 30, 2004, the School District had \$7,595 in cash reported in the special revenue funds that is held by the Shelby County Educational Service Center, which is the fiscal agent for several School Districts. Since the monies are commingled, they cannot be classified by risk individually under GASB Statement No. 3. The risk classifications for the Shelby County Educational Service Center as a whole can be obtained by writing to Cathy Doseck, who serves as Treasurer, at 129 East Court Street, Sidney, Ohio 45365.

**A. Deposits:** At fiscal year-end, the carrying amount of the School District's deposits was \$513,800 and the bank balance was \$546,674. Of the bank balance, \$256,673 was covered by federal depository insurance and \$290,001 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.

**B. Investments:** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had a repurchase agreement at fiscal year-end, which is a Category 3 investment, with a carrying and fair value of \$1,382,865.

**5. BUDGETARY BASIS OF ACCOUNTING**

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

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

The difference between the budget basis and modified cash basis is outstanding year-end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (modified cash).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statement to the budgetary basis statement for the general fund:

<b>Net Change in Fund Balance</b>	
Modified Cash Basis	\$ (82,083)
Adjustment for Encumbrances	<u>(19,732)</u>
Budget Basis	<u><u>\$(101,815)</u></u>

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes.

Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2001, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. 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.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The School District receives property taxes from Shelby and Auglaize Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2004 taxes were collected are:

	<b>2003 Second- Half Collections</b>		<b>2004 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$33,703,790	75.89%	\$35,775,540	79.04%
Public Utility – Real	32,560	0.07%	34,360	0.07%
Tangible Personal Property	10,674,955	24.04%	9,454,128	20.89%
Total Assessed Value	<u>\$44,411,305</u>	<u>100.00%</u>	<u>\$45,264,028</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.05		\$34.05	

**7. 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 2004, the School District contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (Note 13) for general liability, property, and fleet insurance. Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$1,000 deductible)	\$12,710,321
Crime Insurance (\$1,000 deductible)	500,000
Automobile Liability (\$1,000 deductible)	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Uninsured/Underinsured Motorists (\$500 deductible)	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Comprehensive Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
Education General Liability	
Each Occurrence	1,000,000
General Aggregate Limit	3,000,000

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Employee Benefits Liability (\$1,000 deductible):	
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
School Bond Legal Liability (\$5,000 deductible):	
Per Occurrence	1,000,000
Aggregate Limit	1,000,000
General Liability Umbrella Policy	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Building and contents coverage decreased by \$4,645,834 because of a reappraisal which resulted in a decrease in property valuations.

**B. Workers' Compensation**

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). 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. Employee Medical Benefits**

For fiscal year 2004, the School District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 13). The intent of the Consortium 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 Consortium.

**8. 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.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

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, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 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, 2004, 2003, and 2002 were \$39,772, \$33,745, and \$20,777, respectively; 49.09 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strs.oh.org](http://www.strs.oh.org).

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

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. 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, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 13 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, 2004, 2003, and 2002 were \$266,786, \$252,213, and \$176,225, respectively; 82.45 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$3,555 made by the School District and \$5,564 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, 2004, 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.

**9. POST-EMPLOYMENT BENEFITS**

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

All STRS Ohio 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.

**BOTKINS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$20,522 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. 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 2004, the minimum pay was established at \$25,400.

For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$30,234.

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, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**10. CAPITAL LEASES**

In prior fiscal years, the School District entered into a capitalized lease for computer equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2004.

<b>Fiscal Year Ending June 30,</b>	<b>Payments</b>
2005	1,579
Less: Amount Representing Interest	(75)
Present Value of Net Minimum Lease Payments	\$1,504



**BOTKINS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. DEBT OBLIGATIONS**

**A. Debt Obligations**

The changes in the School District's debt obligations during fiscal year 2004 were as follows:

	<b>Principal Outstanding 6/30/03</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/04</b>
1990 School Improvement Bonds	\$1,025,000	\$0	\$120,000	\$905,000
1995 Building Assistance Bond	470,000	0	35,000	435,000
Total Debt Obligations	<u>\$1,495,000</u>	<u>0</u>	<u>\$155,000</u>	<u>\$1,340,000</u>

**School Improvement Bonds** – Series A and B – On March 1, 1990, the School District issued \$2,500,000 in voted general obligation bonds for the purpose of additions and improvements to the school building. The bond was issued for a twenty year period with final maturity in December 2010. The bonds interest rate ranges from 5.8 to 7.2 percent. The will be retired from the Bond Retirement Debt Service Fund.

**Building Assistance Bond** - On January 15, 1995, Botkins Local School District issued \$750,000 in voted general obligation bonds for the purpose of the acquisition, construction, reconstruction and improvement of buildings and structures and the acquisition of sites. The bonds were issued for a twenty-three year period with final maturity during fiscal year 2018. The bonds interest rate ranges from 5.1 to 6.85 percent. The bonds will be retired from the Bond Retirement Debt Service Fund.

The School District's overall legal debt margin was \$3,104,823, with an unvoted debt margin of \$44,411 at June 30, 2004.

**B. Future Debt Requirements**

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2004, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$165,000	\$90,034	\$255,034
2006	170,000	77,895	247,895
2007	180,000	64,735	244,735
2008	185,000	51,443	236,443
2009	195,000	38,003	233,003
2010-2014	325,000	73,090	398,090
2015-2018	120,000	16,442	136,442
Total	<u>\$1,340,000</u>	<u>\$411,642</u>	<u>\$1,751,642</u>

**12. INTERFUND TRANSACTIONS**

At June 30, 2004, the General Fund had transferred \$23,000 to the severance special revenue fund in order to fund future severance payments.

**BOTKINS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS**

**A. Jointly Governed Organizations**

**Western Ohio Computer Organization** - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public School Districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member School Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member School Districts within each county plus one representative from the fiscal agent. Payments to WOCO are made from the General Fund. During fiscal year 2004, the School District paid \$19,363 to WOCO. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2004, the School District paid \$518 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 2004, the School District paid \$3,647 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.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

**B. Insurance Purchasing Pools**

**Ohio School Boards Association Workers' Compensation Group Rating Plan** - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the president, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as 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.

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

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

**Southwestern Ohio Educational Council Property, Fleet, and Liability Program** - The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Program (PFL). The PFL's business and affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the Property, Fleet, and Liability Program of the SOEPC is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. Financial information can be obtained from Ken Swink, Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**14. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2004, the School District had the following contractual purchase commitment:

<u>Company</u>	<u>Contract Amount and Balance at 6-30-04</u>
Lacy Building Corp.	<u>\$79,524</u>

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. SET-ASIDE CALCULATIONS**

The School District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2004, the reserve activity was as follows:

	<b>Textbooks</b>	<b>Capital Improvements</b>
Set-Aside Cash Balance as of June 30, 2003	\$(20,381)	\$ 0
Current Fiscal Year Set-Aside Requirement	82,178	82,178
Current Fiscal Year Offsets	0	(89,132)
Qualifying Disbursements	<u>(67,165)</u>	<u>0</u>
Totals	<u>(5,368)</u>	<u>(6,954)</u>
Set-Aside Balances Carried Forward to Future Fiscal Years	<u>\$ (5,368)</u>	<u>\$ 0</u>
Set-Aside Reserve Balance at June 30, 2004	<u>\$ (5,368)</u>	<u>\$ 0</u>

The capital acquisition set-aside balance had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero. This extra amount may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year. The textbook balance may be carried forward to offset future fiscal years set-aside requirements.

**16. DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust funds include donor-restricted endowments. These assets are shown as net assets held in trust for scholarships - non-expendable to represent the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body is shown as net assets held in trust for scholarships - expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments of the private purpose funds indicate that the interest should be used to provide scholarships.

**17. 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, 2004.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Botkins Local School District  
Shelby County  
208 North Sycamore Street  
Botkins, Ohio 45306

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of and for the years ended June 30, 2005 and June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 27, 2005, wherein, we noted the School District used a comprehensive basis of accounting other than generally accepted accounting principles for reporting. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated December 27, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. However, in a separate letter to the School District's management dated December 27, 2005, we reported other matters related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of the audit committee, management, and Board of Education. It is not intended for 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

December 27, 2005



**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

**BOTKINS LOCAL SCHOOL DISTRICT**

**SHELBY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 9, 2006**