



Dave Yost • Auditor of State

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, Ohio (the School District), as of and for the year ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Botkins Local School District, Shelby County, Ohio, as of June 30, 2013 and 2012, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 19 to the financial statements, during 2013, the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

October 29, 2013

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**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013, within the limitations of the School District's 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 2013 are as follows:

- Net position of governmental activities increased \$3,921,148, which is a 36 percent increase from 2012.
- During fiscal year 2009, the School District began collections on a voted income tax of 1.25 percent. During fiscal year 2013, \$624,960 was received for income taxes, an increase of \$59,639 from 2012.
- During fiscal year 2012, the School District issued bond anticipation notes of \$6,950,000. The bond anticipation notes were paid off when general obligation bonds were issued towards the end of the fiscal year. The notes were issued to pay for the local portion (\$5,824,639) of an Ohio School Facilities Commission Project, in addition to locally funded initiatives (\$1,125,361), which includes equipment, demolition of the existing school, furnishings, landscaping, and paving. Payments on this bond begin in fiscal year 2014.
- During fiscal year 2012, the School District entered into an agreement with the Ohio School Facilities Commission (OSFC). Under the agreement, the OSFC will fund \$17,473,917 of the building of a new K-12 building. The School District's portion of the project is \$5,824,639 for a total OSFC project cost of \$23,298,556. During fiscal year 2013, the School District received \$5,289,048 from the OSFC.
- During 2013, the School District paid off its 2010 bus loan.

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 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.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 cash basis of accounting.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2013, within the limitations of cash basis accounting. The statement of net position 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 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 position 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.

**BOTKINS LOCAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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 Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. 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 OSFC Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial 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 position for fiscal year 2013 compared to fiscal year 2012 on a cash basis:

**(Table 1)
Net Position**

	Governmental Activities	
	2012	2013
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$10,928,148	\$14,849,805
Net Position:		
Restricted for:		
Capital Outlay	7,340,166	10,577,638
Debt Service	573,344	676,949
Other Purposes	157,013	192,652
Bus Purchases	4,033	4,033
Unrestricted	2,853,592	3,398,533
Total Net Position	\$10,928,148	\$14,849,805

As mentioned previously, net position of governmental activities increased \$3,921,657 or 36 percent during fiscal year 2013. Equity in pooled cash and cash equivalents increased as a result of monies received from the OSFC for the building of a new K-12 building. Net position for capital outlay also increased as a result of the monies received. Net position for debt service increased as payments on the 2012 building bonds will start in fiscal year 2014 and taxes were collected in order to fund these payments.

**BOTKINS LOCAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Table 2 reflects the changes in net position for fiscal year 2013 compared to fiscal year 2012.

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

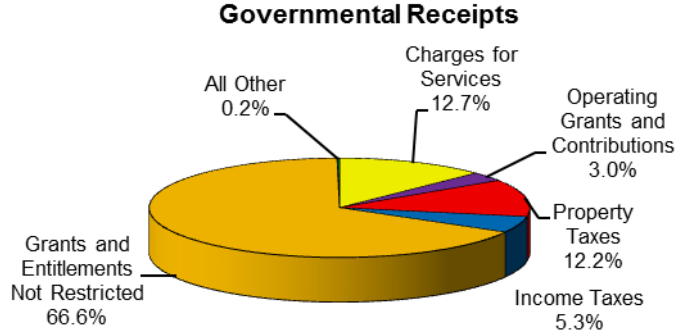
	Governmental Activities 2012	Governmental Activities 2013
Receipts:		
Program Receipts:		
Charges for Services	\$ 1,406,715	\$ 1,489,146
Operating Grants and Contributions	467,320	352,877
Total Program Receipts	1,874,035	1,842,023
General Receipts:		
Property Taxes	1,181,676	1,423,084
Income Taxes	565,321	624,960
Grants and Entitlements Not Restricted to Specific Programs	3,137,074	7,792,179
Bonds & Notes Issued and Premiums	14,091,735	
All Other	17,893	23,550
Total General Receipts	18,993,699	9,863,773
Total Receipts	20,867,734	11,705,796
Disbursements:		
Instruction	2,948,951	2,881,929
Support Services:		
Pupils and Instructional Staff	450,037	493,797
Board of Education, Administration, and Fiscal	637,782	696,027
Operation and Maintenance of Plant	389,769	440,371
Pupil Transportation	236,977	167,608
Central	3,373	2,173
Operation of Non-Instructional Services	205,313	212,713
Extracurricular Activities	270,189	267,142
Capital Outlay	435,728	2,256,898
Debt Service	7,183,808	365,481
Total Disbursements	12,761,927	7,784,139
Increase (Decrease) in Net Position	8,105,807	3,921,657
Net Position, Beginning of Year	2,822,341	10,928,148
Net Position, End of Year	\$10,928,148	\$14,849,805

**BOTKINS LOCAL SCHOOL DISTRICT
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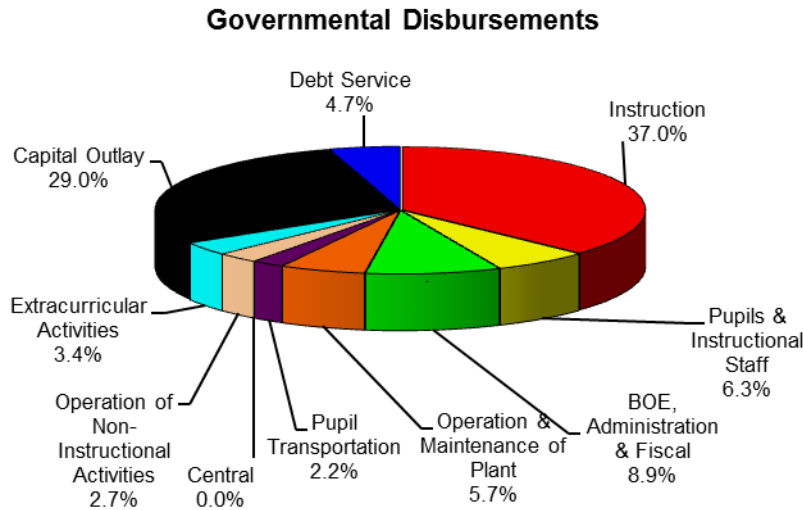
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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 only 12.2% of receipts for 2013. Income taxes made up 5.3% of receipts for 2013 and 2.7% for 2012. Grants and entitlements not restricted, typically, the School District's largest source of receipts, consists largely of state foundation monies and OSFC monies. Grants and entitlements made up 66.6% for 2013, 14.5% for 2012 and 40.5% for 2011.



For fiscal year 2013 as the construction of a new K-12 building started, capital outlay disbursements accounted for 29.0% of the School District's disbursements.



If you look at the Statement of Activities on page 14 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 Cash 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
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

**(Table 3)
Governmental Activities**

	Total Cost Of Services 2012	Net Cost of Services 2012	Total Cost Of Services 2013	Net Cost of Services 2013
Instruction	\$ 2,948,951	\$ 1,490,352	\$2,881,929	\$1,520,185
Support Services:				
Pupils and Instructional Staff	450,037	365,650	493,797	341,154
Board of Education, Administration and Fiscal	637,782	635,501	696,027	685,267
Operation and Maintenance of Plant	389,769	372,009	440,371	424,584
Pupil Transportation	236,977	234,280	167,608	165,160
Central	3,373	3,373	2,173	2,173
Operation of Non-Instructional Services	205,313	(8,991)	212,713	(4,890)
Extracurricular Activities	270,189	176,182	267,142	186,104
Capital Outlay	435,728	435,728	2,256,898	2,256,898
Debt Service	7,183,808	7,183,808	365,481	365,481
Total Disbursements	<u>\$12,761,927</u>	<u>\$10,887,892</u>	<u>\$7,784,139</u>	<u>\$5,942,116</u>

The dependence upon property tax receipts and grants and entitlements not restricted to specific programs is apparent. Operation of non-instructional activities revenues consists of disbursements for the food service program.

The School District's Funds

Total governmental funds had receipts of \$11,686,821 and disbursements of \$7,784,139. The General Fund's net change in fund balance was \$544,941 as a result of the receipts exceeding disbursements. The General Fund's net change in fund balance was \$680,536 for fiscal year 2012. The OSFC fund had an increase in fund balances with the receipt of OSFC monies from the State of Ohio.

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 the course of fiscal year 2013, the School District amended its General Fund budget to reflect changing circumstances. During fiscal year 2013, estimated receipts remained the same throughout the fiscal year.

The School District closely monitored expenditures; enabling the School District to spend \$1,656,661 less than what was appropriated. The Administration and Board of Education have made additional dollars available in many categories in order to facilitate the needs of the School District as they arise. With the School District's tight internal controls, additional monies are appropriated in order to allow those individuals in charge to be creative in their educational needs. The School District has a basic belief that it should be prepared to operate in the best manner to meet the needs of those who are being educated. In order to do so, appropriations are made in excess of minimum required funds to allow for variances in individual programs that are beneficial to the student body, yet economically sound. The School District has historically held conservative ways of spending dollars so that needs can be met with the interest of the taxpayer in mind.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Capital Assets and Debt Administration

Capital Assets

The School District does not currently keep track of its capital assets and infrastructure.

Debt

At June 30, 2013, the School District had \$7,163,360 in debt outstanding, of which \$115,791 is due within one year. Table 4 summarizes the debt outstanding:

**Table 4
Outstanding Debt at June 30,**

	2012	2013
Building Assistance Bond	\$ 180,000	\$ 150,000
School Improvement Bonds	6,950,000	6,950,000
Bus Loans	86,189	63,360
Totals	<u>\$7,216,189</u>	<u>\$7,163,360</u>

For further information regarding the School District's debt, refer to Notes 10 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. On November 4, 2008, the School District voters approved a 1.25% income tax beginning January 1, 2009. Prior to the passage of the income tax, the School District's last operating levy was 24 years ago. The School District voters also approved a replacement levy for permanent improvements on May 5, 2009. This levy is for 5 years.

The Board placed a 7.99 mill bond levy on the November 8th, 2011, ballot to build a new K-12 school, which was approved by the voters. The Ohio School Facilities Commission will pay 75% of the cost of a new K-12 school building. So, the local share of the project is only 25%, plus any locally funded initiatives (LFIs).

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 Joanna (Jody) Jones, 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 POSITION - CASH BASIS
JUNE 30, 2013**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$14,849,805</u>
Net Position:	
Restricted for:	
Capital Outlay	\$10,577,638
Debt Service	676,949
Other Purposes	192,652
Bus Purchases	4,033
Unrestricted	<u>3,398,533</u>
Total Net Position	<u>\$14,849,805</u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<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>Total Governmental Activities</u>	
Governmental Activities:				
Instruction:				
Regular	\$2,225,754	\$1,198,197	\$39,863	(\$987,694)
Special	432,759		99,959	(332,800)
Vocational	170,212		23,725	(146,487)
Student Intervention Services	20,239			(20,239)
Other	32,965			(32,965)
Support Services:				
Pupil	167,244	40,075	13,975	(113,194)
Instructional Staff	326,553		98,593	(227,960)
Board of Education	30,589			(30,589)
Administration	428,029			(428,029)
Fiscal	237,409	7,160	3,600	(226,649)
Operation and Maintenance of Plant	440,371	15,787		(424,584)
Pupil Transportation	167,608	2,448		(165,160)
Central	2,173			(2,173)
Operation of Non-Instructional Services	212,713	146,274	71,329	4,890
Extracurricular Activities	267,142	79,205	1,833	(186,104)
Capital Outlay	2,256,898			(2,256,898)
Principal Retirement	52,830			(52,830)
Interest and Fiscal Charges	312,651			(312,651)
Total Governmental Activities	<u>\$7,784,139</u>	<u>\$1,489,146</u>	<u>\$352,877</u>	<u>(5,942,116)</u>

General Receipts:

Property Taxes Levied for:

General Purposes	936,117
Capital Outlay	86,954
Debt Service	378,276
Other Purposes	21,737
Income Taxes Levied for General Purposes	624,960
Grants and Entitlements not Restricted to Specific Programs	7,792,179
Gifts and Donations not Restricted to Specific Programs	4,282
Interest	3,475
Miscellaneous	15,793
Total General Receipts	<u>9,863,773</u>
Change in Net Position	3,921,657
Net Position Beginning of Year	<u>10,928,148</u>
Net Position End of Year	<u>\$14,849,805</u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>OSFC</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,398,533	\$9,692,915	\$1,754,324	\$14,845,772
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	4,033			4,033
Total Assets	<u>\$3,402,566</u>	<u>\$9,692,915</u>	<u>\$1,754,324</u>	<u>\$14,849,805</u>
Fund Balances:				
Restricted	\$4,033	\$9,692,915	\$1,754,324	\$11,451,272
Committed	70,659			70,659
Assigned	1,330,387			1,330,387
Unassigned	1,997,487			1,997,487
Total Fund Balances	<u>\$3,402,566</u>	<u>\$9,692,915</u>	<u>\$1,754,324</u>	<u>\$14,849,805</u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>OSFC</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property Taxes	\$936,117		\$486,967	\$1,423,084
Income Taxes	624,960			624,960
Intergovernmental	2,316,806	\$5,289,048	490,747	8,096,601
Interest	3,341	27,879	162	31,382
Tuition and Fees	1,198,197			1,198,197
Rentals	6,182		2,240	8,422
Extracurricular Activities	40,075		87,665	127,740
Contributions and Donations	7,392		14,938	22,330
Charges for Services			145,951	145,951
Miscellaneous	5,067	2,500	587	8,154
Total Receipts	<u>5,138,137</u>	<u>5,319,427</u>	<u>1,229,257</u>	<u>11,686,821</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,194,495		31,259	2,225,754
Special	334,439		98,320	432,759
Vocational	166,212		4,000	170,212
Student Intervention Services	20,239			20,239
Other	32,965			32,965
Support Services:				
Pupil	139,090		28,154	167,244
Instructional Staff	208,837		117,716	326,553
Board of Education	30,589			30,589
Administration	428,029			428,029
Fiscal	222,021		15,388	237,409
Operation and Maintenance of Plant	405,926		34,445	440,371
Pupil Transportation	155,927		11,681	167,608
Central	2,173			2,173
Operation of Non-Instructional Services			212,713	212,713
Extracurricular Activities	185,172		81,970	267,142
Capital Outlay	64,914	1,776,193	415,791	2,256,898
Debt Service:				
Principal Retirement			52,829	52,829
Interest and Fiscal Charges			312,652	312,652
Total Disbursements	<u>4,591,028</u>	<u>1,776,193</u>	<u>1,416,918</u>	<u>7,784,139</u>
Excess of Receipts Over (Under) Disbursements	<u>547,109</u>	<u>3,543,234</u>	<u>(187,661)</u>	<u>3,902,682</u>
Other Financing Sources (Uses):				
Sale of Fixed Assets	821			821
Refund of Prior Year Expenditures	14,711		3,443	18,154
Advances In			17,700	17,700
Advances Out	(17,700)			(17,700)
Total Other Financing Sources (Uses)	<u>(2,168)</u>		<u>21,143</u>	<u>18,975</u>
Net Change in Fund Balances	544,941	3,543,234	(166,518)	3,921,657
Fund Balances Beginning of Year	<u>2,857,625</u>	<u>6,149,681</u>	<u>1,920,842</u>	<u>10,928,148</u>
Fund Balances End of Year	<u>\$3,402,566</u>	<u>\$9,692,915</u>	<u>\$1,754,324</u>	<u>\$14,849,805</u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Receipts:				
Property Taxes	\$890,582	\$890,582	\$936,117	\$45,535
Income Taxes	570,970	570,970	624,960	53,990
Intergovernmental	2,294,525	2,294,525	2,316,806	22,281
Interest	3,400	3,400	3,341	(59)
Tuition and Fees	1,083,600	1,083,600	1,198,197	114,597
Rentals	6,100	6,100	6,182	82
Contributions and Donations	2,000	2,000	4,282	2,282
Miscellaneous	5,000	5,000	5,067	67
Total Receipts	<u>4,856,177</u>	<u>4,856,177</u>	<u>5,094,952</u>	<u>238,775</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,378,897	2,378,897	2,187,983	190,914
Special	373,263	373,263	335,373	37,890
Vocational	193,118	203,118	166,727	36,391
Student Intervention Services	32,200	32,200	20,239	11,961
Other	35,000	35,000	32,965	2,035
Support Services:				
Pupil	116,200	116,200	101,310	14,890
Instructional Staff	290,998	290,998	208,837	82,161
Board of Education	24,400	34,400	30,589	3,811
Administration	1,468,639	1,408,639	432,978	975,661
Fiscal	244,400	244,400	233,471	10,929
Operation and Maintenance of Plant	418,775	418,775	407,303	11,472
Pupil Transportation	183,232	183,232	155,927	27,305
Central	4,150	4,150	2,223	1,927
Extracurricular Activities	238,900	238,900	185,172	53,728
Capital Outlay	240,500	260,500	64,914	195,586
Total Disbursements	<u>6,242,672</u>	<u>6,222,672</u>	<u>4,566,011</u>	<u>1,656,661</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,386,495)</u>	<u>(1,366,495)</u>	<u>528,941</u>	<u>1,895,436</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets			821	821
Refund of Prior Year Expenditures	2,000	2,000	14,711	12,711
Transfers Out	(45,000)	(45,000)	(35,000)	10,000
Advances Out		(20,000)	(17,700)	2,300
Total Other Financing Sources (Uses)	<u>(43,000)</u>	<u>(63,000)</u>	<u>(37,168)</u>	<u>25,832</u>
Net Change in Fund Balance	(1,429,495)	(1,429,495)	491,773	1,921,268
Fund Balance Beginning of Year	2,765,553	2,765,553	2,765,553	
Prior Year Encumbrances Appropriated	<u>22,078</u>	<u>22,078</u>	<u>22,078</u>	
Fund Balance End of Year	<u>\$1,358,136</u>	<u>\$1,358,136</u>	<u>\$3,279,404</u>	<u>\$1,921,268</u>

See accompanying notes to the basic financial statements.

**BOTKIND LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$31,939	\$98,949
Net Position		
Held for Students		98,949
Held in Trust for Scholarships:		
Expendable	30,239	
Non-expendable	1,700	
Total Net Position	\$31,939	\$98,949

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Contributions	\$8,540
Deductions:	
Scholarships	<u>8,400</u>
Change in Net Assets	140
Net Assets - Beginning of Year	<u>31,799</u>
Net Assets - End of Year	<u><u>\$31,939</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, 2013**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Botkins Local School District (The School District) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio, and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected 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 27 classified employees and 41 certificated full-time personnel who provide services to 600 students and other community members.

Reporting Entity

A. Primary Government

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

B. Component Units

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. The School District is also financially accountable for any 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, and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District does not have any component units.

The School District participates in three jointly governed organizations and three insurance purchasing pools. Note 14 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 Association of School Business Officials Workers' Compensation
- Southwestern 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, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position 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 position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. However, the School District does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net position 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 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. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided as either governmental or fiduciary.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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 non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

OSFC – This capital projects fund accounts for the bond proceeds and intergovernmental revenue for the Ohio School Facilities Commission Project, the building of a new K-12 building.

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

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this 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, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the fund, function level within each fund for the general fund, the bond retirement debt service fund, classroom facilities special revenue fund and the permanent improvement capital projects fund and the fund level for all other funds as its legal level of control.

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budget represent the final appropriation the Board passed during the fiscal year.

E. Cash and Investments

The School District pools cash from all funds for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool 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 sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2013, the School District invested in Federated Government Obligations Fund and Federal National Mortgage Association bonds.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2013 was \$3,341, which included \$2,462 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, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted cash in the General Fund include amounts State statute requires to be set aside for bus purchases.

G. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. 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.

L. Long-term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education). The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, unassigned) amounts are available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned and unassigned amounts when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classifications can be used.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. DEPOSITS AND INVESTMENTS

Investment Policies

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

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

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

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

Interim deposits 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;
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.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. 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.

At fiscal year end, the School District had \$15,610 with the Community Foundation of Shelby County. The Foundation administrators the Botkins Student Memorial Scholarship Fund. Further information on the coverage of these deposits can be obtained from Marian Spicer, Executive Director, 100 South Main Avenue, Suite 202, Sidney, Ohio 45365-2771.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$12,889,755. Cash balances per the bank were \$12,996,827. \$4,497,860 of the School District's deposits was insured by Federal depository insurance. As of June 30, 2013, \$8,498,967 of the School District's bank balance of \$12,996,827 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

B. Investments

The School District had the following investments at June 30, 2013:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Federated Government Obligations Fund	53 days	\$1,373,592
Federal National Mortgage Association Bond	3/7/2017	701,736
Total		<u>\$2,075,328</u>

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 investment policy does not further limit its investment choices

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the 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 be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy does not further limit its investment choices. The investment in Federated Government Obligations fund is AAAm by Standard & Poor's. The Federal National Mortgage Association bond is rated AA+ by Standard & Poor's.

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 investment in the Federated Government Obligations Fund was 66% and in the Federal National Mortgage Association Bonds was 34%.

4. PROPERTY TAXES

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

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

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

The School District receives property taxes from Shelby 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, 2013, are available to finance fiscal year 2013 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 2013 taxes were collected are:

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. PROPERTY TAXES (Continued)

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$44,693,730	94.64 %	\$47,717,520	93.80 %
Public Utility Personal	2,531,920	5.36	3,157,560	6.20
Total	<u>\$47,225,650</u>	<u>100.00 %</u>	<u>\$50,875,080</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$35.39		\$35.39	

5. INCOME TAXES

Effective January 1, 2009, the School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. This is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

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. The School District contracted with Arthur Gallagher Risk Management Services Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

Building and Contents (\$1,000 deductible)	\$350,000,000
Crime Insurance (\$1,000 deductible)	500,000
Automobile Liability (\$1,000 deductible)	
Per Occurrence	1,000,000
Uninsured/Underinsured Motorists (\$500 deductible)	
Per Occurrence	1,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap	
Per Occurrence	1,000,000
Sexual Abuse/Molestation	1,000,000
School Board Legal Liability (\$5,000 deductible)	
Aggregate Limit	1,000,000
General Excess Liability	
Per Occurrence	5,000,000
Annual Aggregate Limit	5,000,000

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2013, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). 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 Comp Management provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2013, the School District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 14). 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

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2013, the allocation to pension and death benefits is 13.1% of annual covered salary. The remaining .9% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$78,725, \$70,485, and \$59,406, respectively; 75.58% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at 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 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2013, 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 (according to the latest information available). 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 STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$302,233, \$302,426, and \$296,739, respectively; 83.66 percent has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.9 for most participants, but could be as high as \$335.7 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$4,447, \$4,162, and \$3,823, 75.58 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105I. Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$12,053, \$14,302, and \$15,989, respectively; 6.03 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System of Ohio

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$23,249, \$23,264, and \$22,826, respectively; 83.66 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

The School District provides medical and dental insurance through Anthem to its full-time employees.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. OTHER EMPLOYEE BENEFITS (Continued)

C. Deferred Compensation

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

10. LONG-TERM DEBT

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

	Amount Outstanding 6/30/2012	Additions	Deletions	Amount Outstanding 6/30/2013	Amount Due in One Year
Governmental Activities:					
Building Assistance Bond 1995 5.1-6.85%	\$ 180,000		(\$30,000)	\$ 150,000	\$ 30,000
School Improvement Bonds 2012 2-4.25%					
Serial Bonds	895,000			895,000	60,000
Term Bonds	5,995,000			5,995,000	
Capital Appreciation Bonds	60,000			60,000	
Bus Loan 2010 3.19%	8,089		(8,089)		
Bus Loan 2012 2.5%	78,100		(14,740)	63,360	25,791
Total Governmental Activities				<u>63,360</u>	<u>25,791</u>
Long-Term Liabilities	<u>\$7,216,189</u>		<u>(\$52,829)</u>	<u>\$7,163,360</u>	<u>\$115,791</u>

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 improvements of buildings and structures and the acquisition of sites. The bonds were issued for a twenty-year period with a final maturity during fiscal year 2018. The bonds will be retired from the Bond Retirement Debt Service Fund.

School Improvement Bonds – On April 4, 2012, the School District issued \$6,950,000 in school improvement bonds for the purpose of paying the local share of building a new k-12 building in conjunction with the Ohio School Facilities Commission. The bonds were issued for a thirty-five year period with a final maturity date on December 1, 2046. The bonds will be retired from the Bond Retirement Debt Service Fund. A portion of the bonds, \$60,000, are capital appreciation bonds which will be accreted over the life of the bonds and have a maturity amount of \$145,000.

Bus Loan – On October 21, 2009, Botkins Local School District received a loan from US Bank for a school bus in the amount of \$70,000. The loan matured October 21, 2012. The loan was retired from the Permanent Improvement Capital Projects Fund.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. LONG-TERM DEBT (Continued)

Bus Loan – On April 15, 2012, Botkins Local School District received a loan from US Bank for a school bus in the amount of \$78,100. The loan will mature November 15, 2015. The loan will be retired from the Permanent Improvement Capital Projects Fund.

At June 30, 2013, the School District's has debt in excess of the nine percent debt limitation allowed by Ohio Revised Code.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Bus Loans		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 90,000	\$ 267,129	\$ 357,129	\$25,791	\$1,290	\$27,081
2015	145,000	263,898	408,898	26,444	637	27,081
2016	150,000	260,669	410,669	11,125	69	11,194
2017	155,000	256,763	411,763			
2018	165,000	252,108	417,108			
2019-2023	635,000	1,298,319	1,933,319			
2024-2028	800,000	1,118,284	1,918,284			
2029-2033	955,000	963,652	1,918,652			
2034-3038	1,175,000	736,000	1,911,000			
2039-2043	1,460,000	441,725	1,901,725			
2044-2047	1,370,000	119,638	1,489,638			
	<u>\$7,100,000</u>	<u>\$5,978,185</u>	<u>\$13,078,185</u>	<u>\$63,360</u>	<u>\$1,996</u>	<u>\$65,356</u>

11. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	OSFC	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Food Service Operations			\$ 51,516	\$ 51,516
Copeland Grants			11,235	11,235
Classroom Maintenance			84,158	84,158
Athletics			40,773	40,773
Race to the Top Grant			4,970	4,970
Capital Improvements		\$9,692,915	884,723	10,577,638
Debt Service			676,949	676,949
Bus Purchases	\$4,033			4,033
Total Restricted	<u>4,033</u>	<u>9,692,915</u>	<u>1,754,324</u>	<u>11,451,272</u>

(Continued)

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>OSFC</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Committed to:				
Future Severance Payments	70,659			70,659
Assigned for:				
Unpaid Obligations	33,225			33,225
FY 14 Appropriations	1,277,882			1,277,882
Educational Activities	10,601			10,601
Playground Equipment	8,679			8,679
Total Assigned	1,330,387			1,330,387
Unassigned	1,997,487			1,997,487
Total Fund Balance	<u>\$3,402,566</u>	<u>\$9,692,915</u>	<u>\$1,754,324</u>	<u>\$14,849,805</u>

12. INTERFUND TRANSACTIONS

During fiscal year 2013, the School District advanced \$17,700 to the Race to the Top AVID Fund. This advance will be repaid in fiscal year 2014 when the grant dollars are received.

13. SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2013.

	<u>Capital Acquisitions</u>
Set-aside Reserve Balance as of June 30, 2012	
Current Year Set-aside Requirement	\$97,752
Qualifying Disbursements	
Current Year Offsets	(97,752)
Totals	<u>\$ 0</u>
Balance Carried Forward to Fiscal Year 2014	<u>\$ 0</u>

The School District had offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero. Only unused bond proceeds from classroom facilities are allowed to be carried forward.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

14. 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. The Western Ohio Computer Organization is one of the 23 Information Technology Center's (ITC) in the state of Ohio, which were formed in the late 70's, early 80's. These "ITC's" were originally charged to provide computer services to the member school district's fiscal offices, forming what is known today as the OECN, The Ohio Educational Computer Network. WOCO began its operations in 1980 providing computer services to 29 members school districts located in the five county area of Shelby, Auglaize, Hardin, Logan and Champaign. Today WOCO provides technical services to 34 public school districts, 5 public charter schools and 4 non-public districts.

The governing board of WOCO consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$45,174 for services provided during the fiscal year. Financial information can be obtained from Don Walls, 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 126 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 2013, the School District paid \$58,222 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, 2013
(Continued)**

**14. 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 2013, the School District paid \$1,142 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pools

Ohio Association of School Business Officials Workers' Compensation Southwestern Group Rating Plan – The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials (OASBO) as an insurance purchasing pool. During fiscal year 2013, the School District paid \$3,806 to OASBO.

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. During fiscal year 2013, the School District paid \$117,047 to the Consortium. 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.

15. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust funds include donor-restricted endowments. These assets are shown as net position 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 position 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.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

16. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balances – 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 budgetary basis and cash basis is:

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis net change in fund balance	\$544,941
Perspective Differences	(19,943)
Adjustment for Encumbrances	(33,225)
Budget Basis net change in fund balance	\$491,773

17. SIGNIFICANT CONTRACTUAL COMMITMENTS

The School District had the following contractual commitments at June 30, 2013:

Vendor	Amount	Expended	Balance
Fanning/Howey & Associates	\$1,328,483	\$934,248	\$ 394,235
CTL Engineering	157,981	26,108	131,873
Stan Engineers	64,556	48,182	16,374
Resource International, Inc.	1,212,594	374,345	838,249
Charles Construction Services	10,030,500	660,727	9,369,773
Vulcan Enterprises, Inc.	225,436		225,436
Feldkamp Enterprises, Inc.	3,147,800		3,147,800
Active Electric, Inc.	2,581,725		2,581,725

18. 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, 2013.

B. Litigation

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

19. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* GASB *Statement No. 63* provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

20. SUBSEQUENT EVENTS

The School District assessed events occurring subsequent to June 30, 2013 for potential recognition and disclosure in the financial statements.

The School District entered a 3 year lease agreement at 2.1% interest with DeLage Landen Public Finance to purchase a 2014 stock bus at \$78,132 from Cardinal Bus sales.

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**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012, within the limitations of the School District's 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 2012 are as follows:

- Net assets of governmental activities increased \$8,105,807, which is a 287 percent increase from 2011.
- During fiscal year 2009, the School District began collections on a voted income tax of 1.25 percent. During fiscal year 2012, \$565,321 was received for income taxes, a decrease of \$43,276 from 2011.
- During fiscal year 2012, the School District issued bond anticipation notes of \$6,950,000. The bond anticipation notes were paid off when general obligation bonds were issued towards the end of the fiscal year. The notes were issued to pay for the local portion (\$5,824,639) of an Ohio School Facilities Commission Project, in addition to locally funded initiatives (\$1,125,361), which includes equipment, demolition of the existing school, furnishings, landscaping, and paving.
- During fiscal year 2012, the School District entered into an agreement with the Ohio School Facilities Commission (OSFC). Under the agreement, the OSFC will fund \$17,473,917 of the building of a new K-12 building. The School District's portion of the project is \$5,824,639 for a total OSFC project cost of \$23,298,556.
- Also during fiscal year 2012, the School District purchased a new bus for \$78,100. The bus was financed through a loan with US Bank. The note carries an interest rate of 2.5% and matures November 15, 2015.

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 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.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 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 2012, within the limitations of 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 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.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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 Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. 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, the Bond Retirement Fund and the OSFC Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial 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 2012 compared to fiscal year 2011 on a cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2011	2012
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$2,822,341	\$10,928,148
Net Assets:		
Restricted for:		
Capital Outlay	109,267	7,340,166
Debt Service	415,405	573,344
Other Purposes	120,580	157,013
Set-asides	140,311	
Bus Purchases	4,032	4,033
Unrestricted	2,032,746	2,853,592
Total Net Assets	\$2,822,341	\$10,928,148

As mentioned previously, net assets of governmental activities increased \$8,105,807 or 287 percent during fiscal year 2012. Equity in pooled cash and cash equivalents increased as a result of bonds issued for the building of a new K-12 building. Net assets for capital outlay also increased as a result of the bond issue.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2012 compared to fiscal year 2011.

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

	Governmental Activities 2011	Governmental Activities 2012
Receipts:		
Program Receipts:		
Charges for Services	\$1,403,723	\$ 1,406,715
Operating Grants and Contributions	510,379	467,320
Total Program Receipts	1,914,102	1,874,035
General Receipts:		
Property Taxes	963,465	1,181,676
Income Taxes	608,597	565,321
Grants and Entitlements Not Restricted to Specific Programs	2,384,810	3,137,074
Bonds & Notes Issued and Premiums		14,091,735
All Other	18,699	17,893
Total General Receipts	3,975,571	18,993,699
Total Receipts	5,889,673	20,867,734
Disbursements:		
Instruction	2,824,665	2,948,951
Support Services:		
Pupils and Instructional Staff	448,174	450,037
Board of Education, Administration, and Fiscal	617,874	637,782
Operation and Maintenance of Plant	366,523	389,769
Pupil Transportation	143,702	236,977
Central	15,530	3,373
Operation of Non-Instructional Services	203,110	205,313
Extracurricular Activities	242,644	270,189
Capital Outlay	26,929	435,728
Debt Service	69,928	7,183,808
Total Disbursements	4,959,079	12,761,927
Increase (Decrease) in Net Assets	930,594	8,105,807
Net Assets, Beginning of Year	1,891,747	2,822,341
Net Assets, End of Year	\$2,822,341	\$10,928,148

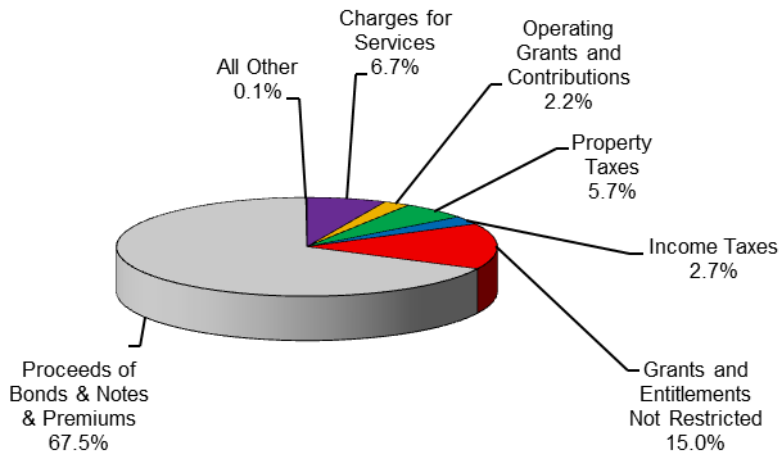
**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Governmental Activities

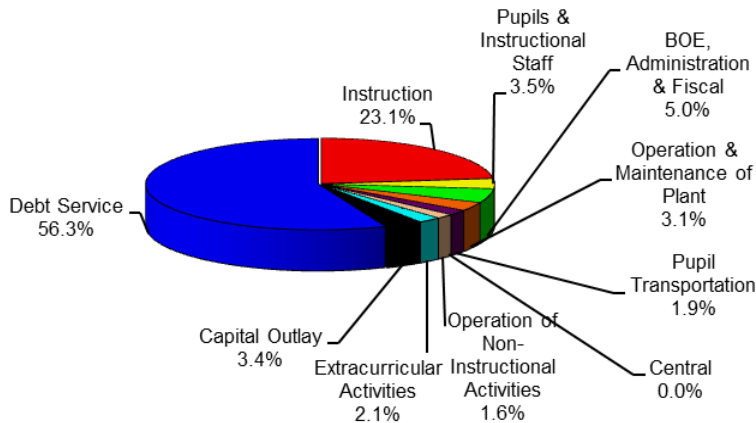
The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. With the issuance of bonds and notes, property taxes make up only 5.7% of receipts for 2012, down from 16.4% of receipts for 2011. Income taxes made up 2.7% of receipts for 2012, 10.3% for 2011, and 7.7% in 2010. Grants and entitlements not restricted, typically, the School District's largest source of receipts, consists largely of state foundation monies and OSFC monies. Grants and entitlements made up 15% for 2012 and 40.5% for 2011. Disbursements increased 157% for fiscal year 2012 as the result of the payment of the bond anticipation notes. Debt service disbursements increased \$7,113,880 for fiscal year 2012.

Governmental Receipts



For fiscal year 2012, the payoff of the bond anticipation note contributed to debt service accounting for 56.3% of the School District's disbursements.

Governmental Disbursements



**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

If you look at the Statement of Activities on page 52 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**

	Total Cost Of Services 2011	Net Cost of Services 2011	Total Cost Of Services 2012	Net Cost of Services 2012
Instruction	\$2,824,665	(\$1,492,978)	\$ 2,948,951	(\$ 1,490,352)
Support Services:				
Pupils and Instructional Staff	448,174	(355,039)	450,037	(365,650)
Board of Education, Administration and Fiscal	617,874	(591,956)	637,782	(635,501)
Operation and Maintenance of Plant	366,523	(236,968)	389,769	(372,009)
Pupil Transportation	143,702	(102,770)	236,977	(234,280)
Central	15,530	(10,530)	3,373	(3,373)
Operation of Non-Instructional Services	203,110	6,196	205,313	8,991
Extracurricular Activities	242,644	(166,754)	270,189	(176,182)
Capital Outlay	26,929	(24,250)	435,728	(435,728)
Debt Service	69,928	(69,928)	7,183,808	(7,183,808)
Total Disbursements	<u>\$4,959,079</u>	<u>(\$3,044,977)</u>	<u>\$12,761,927</u>	<u>(\$10,887,892)</u>

The dependence upon property tax receipts and grants and entitlements not restricted to specific programs is apparent. Operation of non-instructional activities revenues consists of disbursements for the food service program.

The School District's Funds

Total governmental funds had receipts of \$6,772,195 and disbursements of \$12,761,927. The General Fund's net change in fund balance was \$680,536 as a result of the receipts exceeding disbursements. For 2011, the net change in fund balance for the General Fund was \$881,666. The OSFC fund contributed to the increase in fund balances with the issuance of bonds. Fund balance of the Bond Retirement fund also increased as new property taxes were levied to help pay for the local portion of the new K-12 building.

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 the course of fiscal year 2012, the School District amended its General Fund budget to reflect changing circumstances. During fiscal year 2012, estimated receipts remained the same throughout the fiscal year.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

The School District closely monitored expenditures; enabling the School District to spend \$1,577,214 less than what was appropriated. The Administration and Board of Education have made additional dollars available in many categories in order to facilitate the needs of the School District as they arise. With the School District's tight internal controls, additional monies are appropriated in order to allow those individuals in charge to be creative in their educational needs. The School District has a basic belief that it should be prepared to operate in the best manner to meet the needs of those who are being educated. In order to do so, appropriations are made in excess of minimum required funds to allow for variances in individual programs that are beneficial to the student body, yet economically sound. The School District has historically held conservative ways of spending dollars so that needs can be met with the interest of the taxpayer in mind.

Capital Assets and Debt Administration

Capital Assets

The School District does not currently keep track of its capital assets and infrastructure.

Debt

At June 30, 2012, the School District had \$7,216,189 in debt outstanding, of which \$52,840 is due within one year. Table 4 summarizes the debt outstanding:

**Table 4
Outstanding Debt at June 30,**

	<u>2011</u>	<u>2012</u>
Building Assistance Bond	\$210,000	\$ 180,000
School Improvement Bonds		6,950,000
Bus Loans	31,921	86,189
Totals	<u>\$241,921</u>	<u>\$7,216,189</u>

For further information regarding the School District's debt, refer to Notes 10 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. On November 4, 2008, the School District voters approved a 1.25% income tax beginning January 1, 2009. Prior to the passage of the income tax, the School District's last operating levy was 24 years ago. The School District voters also approved a replacement levy for permanent improvements on May 5, 2009. This levy is for 5 years.

The Board placed a 7.99 mill bond levy on the November 8th, 2011, ballot to build a new K-12 school, which was approved by the voters. The Ohio School Facilities Commission will pay 75% of the cost of a new K-12 school building. So, the local share of the project is only 25%, plus any locally funded initiatives (LFIs).

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, 2012
(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 Joanna (Jody) Jones, Treasurer at 208 North Sycamore Street, Post Office Box 550, Botkins, Ohio 45306.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$10,928,148</u></u>
Net Assets:	
Restricted for:	
Capital Outlay	\$7,340,166
Debt Service	573,344
Other Purposes	157,013
Bus Purchases	4,033
Unrestricted	<u>2,853,592</u>
Total Net Assets	<u><u>\$10,928,148</u></u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$2,304,504	\$1,106,898	\$212,389	(\$985,217)
Special	432,217	936	114,651	(316,630)
Vocational	161,314		23,725	(137,589)
Student Intervention Services	26,787			(26,787)
Other	24,129			(24,129)
Support Services:				
Pupil	165,158	36,686	4,076	(124,396)
Instructional Staff	284,879		43,625	(241,254)
Board of Education	15,718			(15,718)
Administration	402,581			(402,581)
Fiscal	219,483	2,281		(217,202)
Operation and Maintenance of Plant	389,769	16,203	1,557	(372,009)
Pupil Transportation	236,977	2,697		(234,280)
Central	3,373			(3,373)
Operation of Non-Instructional Services	205,313	149,347	64,957	8,991
Extracurricular Activities	270,189	91,667	2,340	(176,182)
Capital Outlay	435,728			(435,728)
Principal Retirement	7,003,832			(7,003,832)
Interest and Fiscal Charges	72,837			(72,837)
Issuance Costs	107,139			(107,139)
Total Governmental Activities	\$12,761,927	\$1,406,715	\$467,320	(10,887,892)
General Receipts:				
Property Taxes Levied for:				
General Purposes				869,568
Capital Outlay				82,562
Debt Service				210,015
Other Purposes				19,531
Income Taxes Levied for General Purposes				565,321
Grants and Entitlements not Restricted to Specific Programs				3,137,074
Gifts and Donations not Restricted to Specific Programs				3,540
General Obligation Bonds Issued				6,950,000
Bond Anticipation Notes Issued				6,950,000
Other Loan Issued				78,100
Premium on Bonds and Notes Issued				113,635
Interest				3,481
Miscellaneous				10,872
Total General Receipts				18,993,699
Change in Net Assets				8,105,807
Net Assets Beginning of Year				2,822,341
Net Assets End of Year				\$10,928,148

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Bond Retirement</u>	<u>OSFC</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$2,853,592	\$573,344	\$6,149,681	\$1,347,498	\$10,924,115
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	4,033				4,033
Total Assets	<u><u>\$2,857,625</u></u>	<u><u>\$573,344</u></u>	<u><u>\$6,149,681</u></u>	<u><u>\$1,347,498</u></u>	<u><u>\$10,928,148</u></u>
Fund Balances:					
Restricted	\$4,033	\$573,344	\$6,149,681	\$1,347,498	\$8,074,556
Committed	55,996				55,996
Assigned	1,443,497				1,443,497
Unassigned	1,354,099				1,354,099
Total Fund Balances	<u><u>\$2,857,625</u></u>	<u><u>\$573,344</u></u>	<u><u>\$6,149,681</u></u>	<u><u>\$1,347,498</u></u>	<u><u>\$10,928,148</u></u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General	Bond Retirement	OSFC	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property Taxes	\$869,568	\$210,015		\$102,093	\$1,181,676
Income Taxes	565,321				565,321
Intergovernmental	2,370,719	48,385	\$699,250	468,409	3,586,763
Interest	3,428		6,966	75	10,469
Tuition and Fees	1,107,834				1,107,834
Rentals	6,105			3,300	9,405
Extracurricular Activities	36,686			98,782	135,468
Contributions and Donations	5,957			8,226	14,183
Charges for Services				149,246	149,246
Miscellaneous	11,514			316	11,830
Total Receipts	4,977,132	258,400	706,216	830,447	6,772,195
Disbursements					
Current:					
Instruction:					
Regular	2,091,439			213,065	2,304,504
Special	317,519			114,698	432,217
Vocational	157,314			4,000	161,314
Student Intervention Services	26,787				26,787
Other	24,129				24,129
Support Services:					
Pupil	137,948			27,210	165,158
Instructional Staff	218,210			66,669	284,879
Board of Education	15,718				15,718
Administration	402,581				402,581
Fiscal	212,083	4,814		2,586	219,483
Operation and Maintenance of Plant	355,558			34,211	389,769
Pupil Transportation	148,006			88,971	236,977
Central	1,373			2,000	3,373
Operation of Non-Instructional Services				205,313	205,313
Extracurricular Activities	187,103			83,086	270,189
Capital Outlay			381,174	54,554	435,728
Debt Service:					
Principal Retirement		6,980,000		23,832	7,003,832
Interest and Fiscal Charges		72,143		694	72,837
Issuance Costs		107,139			107,139
Total Disbursements	4,295,768	7,164,096	381,174	920,889	12,761,927
Excess of Receipts Over (Under) Disbursements	681,364	(6,905,696)	325,042	(90,442)	(5,989,732)
Other Financing Sources (Uses):					
Sale of Fixed Assets	85				85
Refund of Prior Year Expenditures	3,476			243	3,719
Transfers In				4,389	4,389
Transfers Out	(4,389)				(4,389)
General Obligation Bonds Issued		6,950,000			6,950,000
Bond Anticipation Notes Issued			5,824,639	1,125,361	6,950,000
Other Loan Issued				78,100	78,100
Premium on Bonds and Notes Issued		113,635			113,635
Total Other Financing Sources (Uses)	(828)	7,063,635	5,824,639	1,208,093	14,095,539
Net Change in Fund Balances	680,536	157,939	6,149,681	1,117,651	8,105,807
Fund Balances Beginning of Year	2,177,089	415,405		229,847	2,822,341
Fund Balances End of Year	<u>\$2,857,625</u>	<u>\$573,344</u>	<u>\$6,149,681</u>	<u>\$1,347,498</u>	<u>\$10,928,148</u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Receipts:				
Property Taxes	\$846,300	\$846,300	\$869,568	\$23,268
Income Taxes	575,000	575,000	565,321	(9,679)
Tuition and Fees	1,090,000	1,090,000	1,107,834	17,834
Interest	5,500	5,500	3,428	(2,072)
Intergovernmental	2,365,493	2,365,493	2,370,719	5,226
Contributions and Donations	500	500	3,540	3,040
Rentals	7,000	7,000	6,105	(895)
Miscellaneous	3,000	3,000	11,514	8,514
Total Receipts	<u>4,892,793</u>	<u>4,892,793</u>	<u>4,938,029</u>	<u>45,236</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,217,282	2,217,282	2,068,420	148,862
Special	429,850	429,850	317,819	112,031
Vocational	182,115	182,115	158,382	23,733
Student Intervention Services	21,000	21,000	26,787	(5,787)
Other	47,500	47,500	24,129	23,371
Support Services:				
Pupil	112,250	112,250	97,460	14,790
Instructional Staff	280,800	280,800	218,210	62,590
Board of Education	17,900	17,900	15,718	2,182
Administration	1,470,870	1,400,870	409,170	991,700
Fiscal	256,410	256,410	212,083	44,327
Operation and Maintenance of Plant	393,185	393,185	359,583	33,602
Pupil Transportation	159,533	159,533	148,205	11,328
Central	5,000	5,000	1,523	3,477
Extracurricular Activities	212,500	212,500	187,103	25,397
Capital Outlay		70,000		70,000
Total Disbursements	<u>5,806,195</u>	<u>5,806,195</u>	<u>4,244,592</u>	<u>1,561,603</u>
Excess of Receipts Over (Under) Disbursements	<u>(913,402)</u>	<u>(913,402)</u>	<u>693,437</u>	<u>1,606,839</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	200	200	85	(115)
Refund of Prior Year Expenditures	1,000	1,000	3,476	2,476
Transfers Out	(45,000)	(45,000)	(29,389)	15,611
Total Other Financing Sources (Uses)	<u>(43,800)</u>	<u>(43,800)</u>	<u>(25,828)</u>	<u>17,972</u>
Net Change in Fund Balance	(957,202)	(957,202)	667,609	1,624,811
Fund Balance Beginning of Year	2,074,528	2,074,528	2,074,528	
Prior Year Encumbrances Appropriated	23,416	23,416	23,416	
Fund Balance End of Year	<u>\$1,140,742</u>	<u>\$1,140,742</u>	<u>\$2,765,553</u>	<u>\$1,624,811</u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2012**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$31,799	\$73,910
Net Assets:		
Held for Students		73,910
Held in Trust for Scholarships:		
Expendable	30,099	
Non-expendable	1,700	
Total Net Assets	\$31,799	\$73,910

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Contributions	\$12,110
Interest	1
Total Additions	<u>12,111</u>
Deductions:	
Scholarships	<u>7,425</u>
Change in Net Assets	4,686
Net Assets - Beginning of Year	<u>27,113</u>
Net Assets - End of Year	<u><u>\$31,799</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, 2012**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Botkins Local School District (The School District) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio, and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected 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 23 classified employees and 42 certificated full-time personnel who provide services to 577 students and other community members.

Reporting Entity

A. Primary Government

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

B. Component Units

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. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in three jointly governed organizations and three insurance purchasing pools. Note 15 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 Association of School Business Officials Workers' Compensation
- Southwestern 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, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

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, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. However, the School District does not have any business-type activities. 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 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. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided as either governmental or fiduciary.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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.

OSFC – This capital projects fund accounts for the bond proceeds and intergovernmental revenue for the Ohio School Facilities Commission Project, the building of a new K-12 building.

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

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this 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, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the fund, function level within each fund for the general fund, the bond retirement debt service fund, classroom facilities special revenue fund and the permanent improvement capital projects fund and the fund level for all other funds as its legal level of control.

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budget represent the final appropriation the Board passed during the fiscal year.

E. Cash and Investments

The School District pools cash from all funds for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool 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 sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2012, the School District invested in Fifth Third Institutional Government Money Market Mutual Fund and Federal National Mortgage Association bonds.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2012 was \$3,428, which included \$1,861 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, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted cash in the General Fund include amounts State statute requires to be set aside for bus purchases.

G. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. 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.

L. Long-term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash 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, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education). The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, unassigned) amounts are available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned and unassigned amounts when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classifications can be used.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. DEPOSITS AND INVESTMENTS

Investment Policies

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

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

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

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

Interim deposits 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;
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.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. 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.

At fiscal year end, the School District had \$16,110 with the Community Foundation of Shelby County. The Foundation administrators the Botkins Student Memorial Scholarship Fund. Further information on the coverage of these deposits can be obtained from Marian Spicer, Executive Director, 100 South Main Avenue, Suite 202, Sidney, Ohio 45365-2771.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$8,461,426. Cash balances per the bank were \$8,499,597. \$4,743,308 of the School District's deposits was insured by Federal depository insurance. As of June 30, 2012, \$3,756,289 of the School District's bank balance of \$8,499,597 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

B. Investments

The School District had the following investments at June 30, 2012:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Fifth Third Institutional Government Money Market	52 days	\$1,802,886
Federal National Mortgage Association Bond	12/28/2016	753,435
Total		<u>\$2,556,321</u>

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 investment policy does not further limit its investment choices

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the 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 be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy does not further limit its investment choices. The investment in Fifth Third Institutional Government Money Market Mutual Fund is not rated. The Federal National Mortgage Association bond is rated AA+ by Standard's & Poor.

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 investment in the Fifth Third Institutional Government Money Market Mutual Fund was 71% and in the Federal National Mortgage Association Bonds was 29%.

4. PROPERTY TAXES

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

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

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

The School District receives property taxes from Shelby 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, 2012, are available to finance fiscal year 2012 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 2012 taxes were collected are:

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. PROPERTY TAXES (Continued)

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$44,724,090	94.57 %	\$44,693,730	94.64 %
Public Utility Personal	2,567,740	5.43	2,531,920	5.36
Total	\$47,291,830	100.00 %	\$47,225,650	100.00 %
Tax rate per \$1,000 of assessed valuation	\$27.40		\$35.39	

5. INCOME TAXES

Effective January 1, 2009, the School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. This is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

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. The School District contracted with Arthur Gallagher Risk Management Services Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

Building and Contents (\$1,000 deductible)	\$350,000,000
Crime Insurance (\$1,000 deductible)	500,000
Automobile Liability (\$1,000 deductible)	
Per Occurrence	1,000,000
Aggregate Limit	5,000,000
Uninsured/Underinsured Motorists (\$500 deductible)	
Per Occurrence	1,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap	
Per Occurrence	1,000,000
School Board Legal Liability (\$5,000 deductible)	
Aggregate Limit	1,000,000
Per Occurrence	5,000,000
General Excess Liability	
Per Occurrence	5,000,000
Annual Aggregate Limit	5,000,000

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

6. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2012, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates/McDonald provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2012, the School District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 15). 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

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2012, the allocation to pension and death benefits is 12.7% of annual covered salary. The remaining 1.3% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$70,485, \$59,406, and \$78,569, respectively; 65.01% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at 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 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2012, 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 (according to the latest information available). 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 STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$302,426, \$296,739, and \$271,423, respectively; 83.83 percent has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$4,162, \$3,823, and \$4,672, 65.01 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105I. Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$14,302, \$15,989, and \$13,726, respectively; 13.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System of Ohio

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$23,264, \$22,826, and \$20,879, respectively; 83.83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

The School District provides medical and dental insurance through Anthem and Community National Insurance Company to its full-time employees.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. OTHER EMPLOYEE BENEFITS (Continued)

C. Deferred Compensation

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

10. LONG-TERM DEBT

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

	<u>Amount Outstanding 6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/2012</u>	<u>Amount Due in One Year</u>
Governmental Activities:					
Building Assistance Bond 1995 5.1-6.85%	\$210,000		(\$30,000)	\$ 180,000	\$30,000
School Improvement Bonds 2012 1.50%					
Serial Bonds		\$ 895,000		895,000	
Term Bonds		5,995,000		5,995,000	
Capital Appreciation Bonds		60,000		60,000	
Bus Loan 2010 3.19%	31,921		(23,832)	8,089	8,089
Bus Loan 2012 2.5%		78,100		78,100	14,751
Total Governmental Activities					
Long-Term Liabilities	<u>\$241,921</u>	<u>\$7,028,100</u>	<u>(\$53,832)</u>	<u>\$7,216,189</u>	<u>\$52,840</u>

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 improvements of buildings and structures and the acquisition of sites. The bonds were issued for a twenty-year period with a final maturity during fiscal year 2018. The bonds will be retired from the Bond Retirement Debt Service Fund.

School Improvement Bonds – On April 4, 2012, the School District issued \$6,950,000 in school improvement bonds for the purpose of paying the local share of building a new k-12 building in conjunction with the Ohio School Facilities Commission. The bonds were issued for a thirty-five year period with a final maturity date on December 1, 2046. The bonds will be retired from the Bond Retirement Debt Service Fund. A portion of the bonds, \$60,000, are capital appreciation bonds which will be accreted over the life of the bonds and have a maturity amount of \$145,000.

Bus Loan – On October 21, 2009, Botkins Local School District received a loan from US Bank for a school bus in the amount of \$70,000. The loan will mature October 21, 2012. The loan will be retired from the Permanent Improvement Capital Projects Fund.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. LONG-TERM DEBT (Continued)

Bus Loan – On April 15, 2012, Botkins Local School District received a loan from US Bank for a school bus in the amount of \$78,100. The loan will mature November 15, 2015. The loan will be retired from the Permanent Improvement Capital Projects Fund.

At June 30, 2012, the School District's has debt in excess of the nine percent debt limitation allowed by Ohio Revised Code.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Bus Loans		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 30,000	\$ 310,710	\$ 340,710	\$22,840	\$1,914	\$24,754
2014	90,000	267,129	357,129	25,791	1,290	27,081
2015	145,000	263,898	408,898	26,444	637	27,081
2016	150,000	260,669	410,669	11,114	69	11,183
2017	155,000	256,763	411,763			
2018-2022	650,000	1,312,709	1,962,709			
2023-2027	780,000	1,142,971	1,922,971			
2028-2032	920,000	997,618	1,917,618			
2033-3037	1,120,000	791,940	1,911,940			
2038-2042	1,405,000	500,325	1,905,325			
2043-2047	1,685,000	184,163	1,869,163			
	<u>\$7,130,000</u>	<u>\$6,288,895</u>	<u>\$13,418,895</u>	<u>\$86,189</u>	<u>\$3,910</u>	<u>\$90,099</u>

11. SHORT-TERM OBLIGATIONS

The changes in the School District's short-term obligations during fiscal year 2012 were as follows:

	Outstanding 6/30/2011	Additions	Deletions	Outstanding 6/30/2012
Governmental Activities				
Bond Anticipation Note	\$0	\$6,950,000	(\$6,950,000)	\$0

On December 21, 2011, the School District issued a bond anticipation note. The note was issued in anticipation of bonds which proceeds will be used to build a new K-12 school. The bonds carried an interest rate of 1.75% and matured on June 15, 2012.

12. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>OSFC</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:					
Food Service Operations				\$ 54,007	\$ 54,007
Copeland Grants				991	991
Classroom Maintenance				59,920	59,920
Athletics				42,095	42,095
Education Management					
Information Systems					
Capital Improvements			\$6,149,681	1,190,485	7,340,166
Debt Service		\$573,344			573,344
Bus Purchases	\$ 4,033				4,033
Total Restricted	<u>4,033</u>	<u>573,344</u>	<u>6,149,681</u>	<u>1,347,498</u>	<u>8,074,556</u>
Committed to:					
Future Severance Payments	55,996				55,996
Assigned for:					
Unpaid Obligations	22,078				22,078
FY 13 Appropriations	1,407,417				1,407,417
Educational Activities	5,323				5,323
Playground Equipment	8,679				8,679
Total Assigned	<u>1,443,497</u>				<u>1,443,497</u>
Unassigned	1,354,099				1,354,099
Total Fund Balance	<u>\$2,857,625</u>	<u>\$573,344</u>	<u>\$6,149,681</u>	<u>\$1,347,498</u>	<u>\$10,928,148</u>

13. INTERFUND TRANSACTIONS

During fiscal year 2012, the School District transferred \$4,389 from its General Fund to its Locally Funded Initiative Fund to make up the difference between the bond anticipation note and the total amount required in the construction funds.

14. SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2012.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

14. SET-ASIDE CALCULATIONS (Continued)

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2011	
Current Year Set-aside Requirement	\$99,794
Qualifying Disbursements	
Current Year Offsets	(99,794)
Totals	\$ 0
Set-aside Reserve Balances as of June 30, 2012	\$ 0

The School District had offsets during the fiscal year that reduced the capital improvements set-aside amounts to zero. Only unused bond proceeds from classroom facilities are allowed to be carried forward.

15. 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. The Western Ohio Computer Organization is one of the 23 Information Technology Center's (ITC) in the state of Ohio, which were formed in the late 70's, early 80's. These "ITC's" were originally charged to provide computer services to the member school district's fiscal offices, forming what is known today as the OECN, The Ohio Educational Computer Network. WOCO began its operations in 1980 providing computer services to 29 members school districts located in the five county area of Shelby, Auglaize, Hardin, Logan and Champaign. Today WOCO provides technical services to 34 public school districts, 5 public charter schools and 4 non-public districts.

The governing board of WOCO consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$44,284 for services provided during the fiscal year. Financial information can be obtained from Don Walls, 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 126 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 2012, the School District paid \$41,419 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.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

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.

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 2012, the School District paid \$1,442 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pools

Ohio Association of School Business Officials Workers' Compensation Southwestern Group Rating Plan – The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials (OASBO) as an insurance purchasing pool. During fiscal year 2012, the School District paid \$2,989 to OASBO.

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. During fiscal year 2012, the School District paid \$122,527 to the Consortium. 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.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

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.

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. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balances – 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 budgetary basis and cash basis is:

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis net change in fund balance	\$680,536
Perspective Differences	9,151
Adjustment for Encumbrances	<u>(22,078)</u>
Budget Basis net change in fund balance	<u><u>\$667,609</u></u>

18. SIGNIFICANT CONTRACTUAL COMMITMENTS

The School District had the following contractual commitments at June 30, 2012:

Vendor	Amount	Expended	Balance
Fanning/Howey & Associates	\$1,328,483	\$371,770	\$956,713
CTL Engineering	193,731		193,731
Stan Engineers	64,556		64,556

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

19. CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date. 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 grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the 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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 29, 2013, wherein we noted the School District adopted the provisions of Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the year ended June 30, 2013. We also noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 29, 2013



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Botkins Local School District (the School District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on May 9, 2012, to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

Columbus, Ohio

October 29, 2013

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Dave Yost • Auditor of State

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
DECEMBER 10, 2013**