



**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2001 & JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Arcanum-Butler Local School District
Darke County
2 Weisenbarger Court
Arcanum, Ohio 45304

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Arcanum-Butler Local School District (the School District), Darke County, as of and for the years ended June 30, 2001 and 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District, as of June 30, 2001 and 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2001, the School District adopted Governmental Accounting Statements No. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

November 28, 2001

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**ARCANUM - BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

| | <u>GOVERNMENTAL FUND TYPES</u> | | | <u>PROPRIETARY FUND TYPE</u> |
|--|--------------------------------|----------------------------|-----------------------------|----------------------------------|
| | <u>GENERAL</u> | <u>SPECIAL REVENUE</u> | <u>CAPITAL PROJECTS</u> | <u>ENTERPRISE</u> |
| Assets and Other Debits | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,027,262 | \$136,492 | \$22,816 | \$144,671 |
| Cash and Cash Equivalents: With Fiscal Agents | | 6,467 | | |
| Investments | | | | |
| Receivables: | | | | |
| Property and Other Taxes | 1,692,619 | | | |
| Income Taxes | 313,692 | | | |
| Accounts | 2,450 | 2,412 | | 2,293 |
| Intergovernmental | 21,128 | | | |
| Accrued Interest | 2,739 | | | |
| Prepaid Items | 37,411 | 5 | | 1,654 |
| Inventory Held for Resale | | | | 4,663 |
| Inventory of Supplies and Materials | 866 | | | 2,247 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 199,739 | | | |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | | | | 22,519 |
| Other Debits: | | | | |
| Amount to be Provided for Retirement of General Long-Term Debt | | | | |
| Total Assets and Other Debits | <u>4,297,906</u> | <u>145,376</u> | <u>22,816</u> | <u>178,047</u> |
| Liabilities, Fund Equity and Other Credits | | | | |
| Liabilities: | | | | |
| Accounts Payable | 81,272 | 4,811 | 53 | 1,712 |
| Accrued Wages and Benefits Payable | 705,789 | 18,968 | | 18,051 |
| Compensated Absences Payable | 35,628 | | | 9,463 |
| Intergovernmental Payable | 123,215 | | | 10,882 |
| Deferred Revenue | 1,495,625 | | | 2,913 |
| Due to Students | | | | |
| Energy Conservation Note Payable | | | | |
| Special Termination Benefit Payable | 10,000 | | | |
| Total Liabilities | <u>2,451,529</u> | <u>23,779</u> | <u>53</u> | <u>43,021</u> |
| Fund Equity and Other Credits: | | | | |
| Investment in General Fixed Assets | | | | |
| Retained Earnings: | | | | |
| Unreserved | | | | 135,026 |
| Fund Balance: | | | | |
| Reserved for Encumbrances | 87,842 | 19,176 | 22,508 | |
| Reserved for Inventory | 866 | | | |
| Reserved for Property Taxes | 250,602 | | | |
| Reserved for Textbooks & Instructional Matl. | 116,219 | | | |
| Reserved for Capital Improvements | 60,219 | | | |
| Reserved for Bus Purchase | 23,301 | | | |
| Reserved for Non-Expendable Trust Fund | | | | |
| Unreserved, Undesignated | 1,307,328 | 102,421 | 255 | |
| Total Fund Equity and Other Credits | <u>1,846,377</u> | <u>121,597</u> | <u>22,763</u> | <u>135,026</u> |
| Total Liabilities, Fund Equity and Other Credits | <u>\$4,297,906</u> | <u>\$145,376</u> | <u>\$22,816</u> | <u>\$178,047</u> |

See Accompanying Notes to the General Purpose Financial Statements

| FIDUCIARY FUND TYPES | ACCOUNT GROUPS | | TOTAL (MEMORANDUM ONLY) |
|-------------------------|----------------------------|-------------------------------------|-------------------------------|
| | GENERAL FIXED ASSETS | GENERAL LONG-TERM OBLIGATIONS | |
| | | | \$2,363,797 |
| \$32,556 | | | 6,467 |
| | | | 4,192 |
| | | | 1,692,619 |
| | | | 313,692 |
| | | | 7,155 |
| | | | 21,128 |
| 133 | | | 2,872 |
| | | | 39,070 |
| | | | 4,663 |
| | | | 3,113 |
| | | | 199,739 |
| | 5,565,149 | | 5,587,668 |
| | | 582,942 | 582,942 |
| <u>36,881</u> | <u>5,565,149</u> | <u>582,942</u> | <u>10,829,117</u> |
| | | | 87,848 |
| | | | 742,808 |
| | | 445,590 | 490,681 |
| | | 56,352 | 190,449 |
| 133 | | | 1,498,671 |
| 16,663 | | | 16,663 |
| | | 81,000 | 81,000 |
| | | | 10,000 |
| <u>16,796</u> | | <u>582,942</u> | <u>3,118,120</u> |
| | 5,565,149 | | 5,565,149 |
| | | | 135,026 |
| 552 | | | 130,078 |
| | | | 866 |
| | | | 250,602 |
| | | | 116,219 |
| | | | 60,219 |
| | | | 23,301 |
| 4,180 | | | 4,180 |
| 15,353 | | | 1,425,357 |
| <u>20,085</u> | <u>5,565,149</u> | | <u>7,710,997</u> |
| <u>\$36,881</u> | <u>\$5,565,149</u> | <u>\$582,942</u> | <u>\$10,829,117</u> |

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | <u>GOVERNMENTAL FUND TYPES</u> | | | <u>FIDUCIARY FUND TYPE</u> | <u>TOTAL (MEMORANDUM ONLY)</u> |
|---|--------------------------------|----------------------------|-----------------------------|--------------------------------|--|
| | <u>GENERAL</u> | <u>SPECIAL REVENUE</u> | <u>CAPITAL PROJECTS</u> | <u>EXPENDABLE TRUST</u> | |
| Revenues: | | | | | |
| Property and Other Taxes | \$1,706,982 | | | | \$1,706,982 |
| Income Taxes | 770,124 | | | | 770,124 |
| Tuition and Fees | 246,701 | | | | 246,701 |
| Interest | 146,668 | | | 352 | 147,020 |
| Intergovernmental | 3,938,898 | 229,789 | 22,500 | | 4,191,187 |
| Extracurricular Activities | | 136,898 | | | 136,898 |
| Gifts and Donations | 475 | 29,353 | | | 29,828 |
| Miscellaneous | 20,457 | | | | 20,457 |
| Total Revenues | <u>6,830,305</u> | <u>396,040</u> | <u>22,500</u> | <u>352</u> | <u>7,249,197</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 3,491,432 | 99,412 | 40,718 | | 3,631,562 |
| Special | 488,220 | 105,365 | | | 593,585 |
| Vocational | 59,552 | | | | 59,552 |
| Support Services: | | | | | |
| Pupils | 269,125 | 7,962 | | | 277,087 |
| Instructional Staff | 380,100 | 70,353 | 10,979 | 2,143 | 463,575 |
| Board of Education | 19,210 | | | | 19,210 |
| Administration | 511,453 | | | | 511,453 |
| Fiscal | 147,353 | | | | 147,353 |
| Operation and Maintenance of Plant | 494,299 | 1,207 | | | 495,506 |
| Pupil Transportation | 302,927 | | | | 302,927 |
| Central | 1,706 | 3,932 | | | 5,638 |
| Operation of Non-Instructional Services | 616 | 346 | | | 962 |
| Extracurricular Activities | 241,878 | 116,109 | | | 357,987 |
| Debt Service: | | | | | |
| Principal Retirement | 36,900 | | | | 36,900 |
| Interest and Fiscal Charges | 7,015 | | | | 7,015 |
| Total Expenditures | <u>6,451,786</u> | <u>404,686</u> | <u>51,697</u> | <u>2,143</u> | <u>6,910,312</u> |
| Excess of Revenues Over (Under) Expenditures | 378,519 | (8,646) | (29,197) | (1,791) | 338,885 |
| Fund Balances at Beginning of Year (Restated) | 1,467,753 | 130,243 | 51,960 | 17,684 | 1,667,640 |
| Increase in Reserve for Inventory | 105 | | | | 105 |
| Fund Balances at End of Year | <u>\$1,846,377</u> | <u>\$121,597</u> | <u>\$22,763</u> | <u>\$15,893</u> | <u>\$2,006,630</u> |

See Accompanying Notes to the General Purpose Financial Statements

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ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | GENERAL FUND | | | SPECIAL REVENUE FUNDS | | |
|---|--------------------|--------------------|--|-----------------------|------------------|--|
| | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| Revenues: | | | | | | |
| Property and Other Taxes | \$1,651,407 | \$1,668,472 | \$17,065 | | | |
| Income Tax | 757,781 | 757,781 | | | | |
| Tuition and Fees | 255,052 | 297,484 | 42,432 | | | |
| Interest | 138,760 | 148,814 | 10,054 | | | |
| Intergovernmental | 3,957,004 | 3,960,393 | 3,389 | 174,495 | 186,756 | 12,261 |
| Extracurricular Activities | | | | 126,383 | 136,504 | 10,121 |
| Gifts and Donations | 386 | 475 | 89 | 28,246 | 29,353 | 1,107 |
| Miscellaneous | 2,177 | 19,501 | 17,324 | | | |
| Total Revenues | <u>6,762,567</u> | <u>6,852,920</u> | <u>90,353</u> | <u>329,124</u> | <u>352,613</u> | <u>23,489</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 3,665,326 | 3,517,560 | 147,766 | 148,897 | 118,411 | 30,486 |
| Special | 659,490 | 531,214 | 128,276 | 126,626 | 102,909 | 23,717 |
| Vocational | 63,027 | 58,716 | 4,311 | | | |
| Other | 31,331 | 28,799 | 2,532 | | | |
| Support Services: | | | | | | |
| Pupils | 296,981 | 278,612 | 18,369 | 11,486 | 7,962 | 3,524 |
| Instructional Staff | 384,204 | 373,414 | 10,790 | 28,105 | 27,226 | 879 |
| Board of Education | 22,994 | 20,012 | 2,982 | | | |
| Administration | 549,014 | 527,002 | 22,012 | | | |
| Fiscal | 160,023 | 151,820 | 8,203 | | | |
| Operation and Maintenance of Plant | 638,618 | 556,544 | 82,074 | 1,207 | 1,207 | |
| Pupil Transportation | 409,936 | 379,285 | 30,651 | | | |
| Central | 2,991 | 1,741 | 1,250 | 5,662 | 3,933 | 1,729 |
| Operation of Non-Instructional Services | 616 | 616 | | 1,030 | 384 | 646 |
| Extracurricular Activities | 281,330 | 241,532 | 39,798 | 126,154 | 121,408 | 4,746 |
| Capital Outlay | 2,000 | 2,000 | | | | |
| Debt Service: | | | | | | |
| Principal Retirement | 36,900 | 36,900 | | | | |
| Interest and Fiscal Charges | 7,015 | 7,015 | | | | |
| Total Expenditures | <u>7,211,796</u> | <u>6,712,782</u> | <u>499,014</u> | <u>449,167</u> | <u>383,440</u> | <u>65,727</u> |
| Excess of Revenues Over (Under) Expenditures | (449,229) | 140,138 | 589,367 | (120,043) | (30,827) | 89,216 |
| Other Financing Sources (Uses): | | | | | | |
| Refund of Prior Year Expenditures | 34,043 | 35,456 | 1,413 | | | |
| Refund of Prior Year Receipts | (10,790) | (10,790) | | | | |
| Other Financing Uses | (20,000) | | 20,000 | | | |
| Total Other Financing Sources (Uses) | <u>3,253</u> | <u>24,666</u> | <u>21,413</u> | | | |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (445,976) | 164,804 | 610,780 | (120,043) | (30,827) | 89,216 |
| Fund Balances at Beginning of Year | 1,642,207 | 1,642,207 | | 131,183 | 131,183 | |
| Prior Year Encumbrances Appropriated | 149,332 | 149,332 | | 12,193 | 12,193 | |
| Fund Balances at End of Year | <u>\$1,345,563</u> | <u>\$1,956,343</u> | <u>\$610,780</u> | <u>\$23,333</u> | <u>\$112,549</u> | <u>\$89,216</u> |

See Accompanying Notes to the General Purpose Financial Statements

| CAPITAL PROJECTS FUNDS | | | EXPENDABLE TRUST FUNDS | | |
|------------------------|---------------|----------------------------------|------------------------|-----------------|----------------------------------|
| REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| 22,500 | 22,500 | | 300 | 356 | 56 |
| <u>22,500</u> | <u>22,500</u> | | <u>300</u> | <u>356</u> | <u>56</u> |
| 45,963 | 45,708 | 255 | | | |
| 34,106 | 34,106 | | 14,859 | 2,695 | 12,164 |
| | | | 3,095 | | 3,095 |
| <u>80,069</u> | <u>79,814</u> | <u>255</u> | <u>17,954</u> | <u>2,695</u> | <u>15,259</u> |
| (57,569) | (57,314) | 255 | (17,654) | (2,339) | 15,315 |
| 1,175 | 1,175 | | | | |
| <u>1,175</u> | <u>1,175</u> | | | | |
| (56,394) | (56,139) | 255 | (17,654) | (2,339) | 15,315 |
| 50,395 | 50,395 | | 17,654 | 17,654 | |
| 5,999 | 5,999 | | | | |
| <u>\$0</u> | <u>\$255</u> | <u>\$255</u> | <u>\$0</u> | <u>\$15,315</u> | <u>\$15,315</u> |

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

| | <u>PROPRIETARY FUND TYPE</u> | <u>FIDUCIARY FUND TYPE</u> | <u>TOTAL (MEMORANDUM ONLY)</u> |
|---|----------------------------------|--------------------------------|--|
| | <u>ENTERPRISE</u> | <u>NONEXPENDABLE TRUST</u> | |
| Operating Revenues: | | | |
| Sales | \$240,238 | | \$240,238 |
| Interest | | 210 | 210 |
| Total Operating Revenues | <u>240,238</u> | <u>210</u> | <u>240,448</u> |
| Operating Expenses: | | | |
| Salaries and Wages | 106,972 | | 106,972 |
| Fringe Benefits | 32,340 | | 32,340 |
| Purchased Services | 2,743 | | 2,743 |
| Supplies and Materials | 17,181 | | 17,181 |
| Cost of Sales | 149,580 | | 149,580 |
| Other Operating Expenses | | 210 | 210 |
| Depreciation | <u>3,560</u> | | <u>3,560</u> |
| Total Operating Expenses | <u>312,376</u> | <u>210</u> | <u>312,586</u> |
| Operating Loss | <u>(72,138)</u> | | <u>(72,138)</u> |
| Non-Operating Revenues and (Expenses): | | | |
| Interest | 6,930 | | 6,930 |
| Federal Donated Commodities | 16,661 | | 16,661 |
| Federal and State Subsidies | <u>51,184</u> | | <u>51,184</u> |
| Total Non-Operating Revenues and (Expenses) | <u>74,775</u> | | <u>74,775</u> |
| Net Income | 2,637 | | 2,637 |
| Retained Earnings/Fund Balance (Restated) at Beginning of Year | <u>132,389</u> | <u>4,192</u> | <u>136,581</u> |
| Retained Earnings/Fund Balance at End of Year | <u><u>\$135,026</u></u> | <u><u>\$4,192</u></u> | <u><u>\$139,218</u></u> |

See Accompanying Notes to the General Purpose Financial Statements

ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY

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

| | ENTERPRISE FUNDS | | | NONEXPENDABLE TRUST FUND | | |
|--|-------------------|-----------|--|--------------------------|---------|--|
| | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| Revenues: | | | | | | |
| Sales | \$222,675 | \$239,095 | \$16,420 | | | |
| Interest | 6,000 | 7,160 | 1,160 | 210 | 210 | |
| Federal and State Subsidies | 52,400 | 57,873 | 5,473 | | | |
| Total Revenues | 281,075 | 304,128 | 23,053 | 210 | 210 | |
| Expenses: | | | | | | |
| Salaries | 108,629 | 108,628 | 1 | | | |
| Fringe Benefits | 43,654 | 35,015 | 8,639 | | | |
| Purchased Services | 10,713 | 4,829 | 5,884 | | | |
| Supplies and Materials | 247,514 | 162,903 | 84,611 | | | |
| Capital Outlay | 9,684 | 3,397 | 6,287 | | | |
| Other Operating Expenses | | | | 210 | 210 | |
| Total Expenses | 420,194 | 314,772 | 105,422 | 210 | 210 | |
| Excess of Revenues Over (Under) Expenses Before Operating Transfers | (139,119) | (10,644) | 128,475 | | | |
| Operating Transfer-In | 1,000 | | 1,000 | | | |
| Excess of Revenues and Operating Transfers Over (Under) Expenses | (138,119) | (10,644) | 127,475 | | | |
| Fund Equity at Beginning of Year | 135,865 | 135,865 | | 4,192 | 4,192 | |
| Prior Year Encumbrances Appropriated | 2,254 | 2,254 | | | | |
| Fund Equity at End of Year | \$0 | \$127,475 | \$127,475 | \$4,192 | \$4,192 | |

See Accompanying Notes to the General Purpose Financial Statements

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | PROPRIETARY FUND TYPE | FIDUCIARY FUND TYPE | TOTAL |
|---|----------------------------------|--------------------------------|------------------------------|
| | ENTERPRISE | NONEXPENDABLE TRUST | (MEMORANDUM ONLY) |
| Increase (Decrease) in Cash and Cash Equivalents | | | |
| Cash Flows from Operating Activities: | | | |
| Cash Received from Customers | \$239,095 | | \$239,095 |
| Nonexpendable Trust Fund Interest | | | |
| Cash Payments to Employees for Services and Benefits | (143,642) | | (143,642) |
| Cash Payments to Suppliers for Goods and Services | (151,493) | | (151,493) |
| Cash Payments to Students for Scholarship | | (210) | (210) |
| Net Cash Provided Used In Operating Activities | (56,040) | (210) | (56,250) |
| Cash Flows from Noncapital Financing Activities: | | | |
| Federal and State Subsidies Received | 57,873 | | 57,873 |
| Net Cash Provided By Noncapital Financing Activities | 57,873 | | 57,873 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition of Capital Assets | (2,897) | | (2,897) |
| Net Cash Used In Capital and Related Financing Activities | (2,897) | | (2,897) |
| Cash Flows from Investing Activities: | | | |
| Interest | 6,930 | 210 | 7,140 |
| Net Cash Provided by Investing Activities | 6,930 | 210 | 7,140 |
| Net Increase in Cash and Cash Equivalents | 5,866 | | 5,866 |
| Cash and Cash Equivalents Beginning of Year | 138,805 | | 138,805 |
| Cash and Cash Equivalents End of Year | \$144,671 | | \$144,671 |
| Reconciliation of Operating Loss to Net Cash Used In Operating Activities: | | | |
| Operating Loss | (\$72,138) | | (\$72,138) |
| Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities: | | | |
| Depreciation | 3,560 | | 3,560 |
| Donated Commodities Used | 16,661 | | 16,661 |
| Interest for Nonexpendable Trust Fund | | (210) | (210) |
| Changes in Assets and Liabilities: | | | |
| Increase in Accounts Receivable | (1,143) | | (1,143) |
| Increase in Prepaid Items | (65) | | (65) |
| Increase in Supplies Inventory | (39) | | (39) |
| Decrease in Inventory Held for Resale | 556 | | 556 |
| Decrease in Accounts Payable | (2,345) | | (2,345) |
| Decrease in Accrued Salaries Payable | (818) | | (818) |
| Decrease in Intergovernmental Payable | (1,085) | | (1,085) |
| Increase in Compensated Absences Payable | 816 | | 816 |
| Net Cash Used In Operating Activities | (\$56,040) | (210) | (\$56,250) |
| Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet | | | |
| Cash and Cash Equivalents-All Fiduciary Funds | | \$32,556 | |
| Cash and Cash Equivalents-Expendable Trust and Agency Funds | | (32,556) | |
| Cash and Cash Equivalents-Nonexpendable Trust Fund | | \$0 | |

See Accompanying Notes to the General Purpose Financial Statements

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was originally established in 1885 and consolidated as Arcanum-Butler Local School District through the consolidation of existing land areas and school districts. The School District serves an area of approximately 54 square miles. It is located in Darke County, and includes all of the Villages of Arcanum, Ithaca, Gordon, and Castine and portions of Twin, Butler, VanBuren, and Neave Townships. It is staffed by 41 non-certificated employees, 77 certificated full-time teaching personnel and 7 administrative employees who provide services to 1,184 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, and 1 garage.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with three jointly governed organizations, an insurance purchasing pool, and a related organization. These organizations are presented in Notes 17, 18, and 19 of the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

- Ohio School Boards Association Workers' Compensation Group Rating Plan

Related Organizations:

- Arcanum Public Library

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds – The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds – The enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The nonexpendable trust fund is accounted for in essentially the same manner as the proprietary funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. The proprietary fund type and nonexpendable trust fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed for the proprietary and nonexpendable trust funds.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data

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

All funds, other than the agency fund, are legally required to be budgeted and appropriated. A portion of the Title II, Title VI-B, and Handicapped Preschool special revenue funds grant activity that is administered by a fiscal agent is not budgeted by the School District.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Darke County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer.

The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations: (Continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts adopted during the current fiscal year, including all amendments and modifications. Formal budgetary integration is employed as a management control device during the year for all funds, other than the Title II, Title VIB, and Handicapped Preschool special revenue funds, and the agency fund, consistent with statutory provisions.

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

The balance of various grant activity administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents," and represents deposits of the Darke County Educational Service Center.

The School District only invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) and certificates of deposit during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$146,668, which includes \$11,947 assigned from other School District funds. The expendable trust, enterprise, and nonexpendable trust funds also received interest revenue of \$352, \$6,930 and \$210, respectively.

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three hundred dollars.

The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The School District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the School District. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

I. Special Termination Benefit

The Arcanum-Butler Local School District offers a termination benefit to certified employees. The contract with the Arcanum-Butler Classroom Teachers' Association runs from July 1, 1998 through June 30, 2001 and offers a termination benefit for fiscal years 1999, 2000, and 2001. The benefit is granted to a Qualifying Teacher, who has attained or will attain at least thirty years of service credit to apply toward pension calculation under the State Teachers' Retirement System, or a teacher who is 65 years of age and otherwise eligible to retire under rules of the State Teachers' Retirement System. The incentive is \$1,000 per year of service with the Board, not to exceed \$10,000. Payment is made in one lump sum when the amount of the incentive has been recouped, as determined by the Treasurer, but no later than fourteen months following the effective date of the retirement. A qualified Teacher who missed the February 1, 1999, 2000, or 2001 deadline, as the case may be, forfeits his/her right to the incentive. In fiscal year 2001, one qualifying teacher applied for the benefit.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Long-term loans are reported as a liability of the general long-term obligations account group until due. Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the amounts required by statute to be set-aside by the School District for the purchase of textbooks and other instructional materials, purchase of buses, and for the acquisition or construction of capital assets.

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory of supplies and materials, nonexpendable trust fund (contributions), property taxes, school bus purchases, textbooks and instructional materials, and capital improvements.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for nonexpendable trust fund (contributions) signifies the legal restrictions on the use of principal.

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues".

Restatements were necessary for accrued interest receivable since some interest revenue was received outside the available period, due to GASB 33. Intergovernmental receivable was also restated, since grant monies were received in fiscal year 2001 that were for fiscal year 2000. A restatement of fund balance was necessary for the administrative fee associated with income taxes and the reclassification of the E-rate fund. The following table summarizes the changes to fund balance:

| | General | Special Revenue | Expendable Trust | Nonexpendable Trust |
|--------------------------------------|--------------------|--------------------|---------------------|------------------------|
| Fund balance as previously reported | \$1,449,665 | \$141,740 | \$17,654 | \$4,320 |
| Restatement of E-Rate Fund | 11,467 | (11,467) | | |
| Accrued Interest Receivable | | (30) | 30 | (128) |
| Intergovernmental Receivable | 7,484 | | | |
| Income Taxes Receivable | (863) | | | |
| Fund Balance at June 30, 2000 | \$1,467,754 | \$130,243 | \$17,684 | \$4,192 |

4. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust fund and as note disclosure in the proprietary fund type (GAAP basis).
4. The School District does not budget a portion of the activities of certain special revenue funds administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent that pertain to the School District are included in the special revenue funds (GAAP basis).
5. For the enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

| | General | Special Revenue | Capital Projects | Expendable Trust |
|-----------------------|------------------|--------------------|---------------------|---------------------|
| GAAP Basis | \$378,519 | (\$8,646) | (\$29,197) | (\$1,791) |
| Revenue Accruals | 66,748 | (394) | 1,175 | 4 |
| Prepaid Items | 6,148 | | | |
| Expenditure Accruals | (15,953) | (1,040) | (5,556) | |
| Unrecorded Cash | (8,677) | | | |
| Encumbrances | (261,981) | (23,943) | (22,561) | (552) |
| Non Budgeted Activity | | 3,196 | | |
| Budget Basis | <u>\$164,804</u> | <u>(\$30,827)</u> | <u>(\$56,139)</u> | <u>(\$2,339)</u> |

Net Income /Excess of Revenues Under
Expenses, All Enterprise Funds and Nonexpendable Trust Fund

| | Enterprise |
|-------------------------------------|-------------------|
| GAAP Basis | \$2,637 |
| Revenue Accruals | 6,232 |
| Expense Accruals | (2,528) |
| Unrecorded Cash | (456) |
| Prepaid Items | 65 |
| Inventory of Supplies and Materials | 39 |
| Inventory Held for Resale | (556) |
| Acquisition of Capital Assets | (2,897) |
| Depreciation Expense | 3,560 |
| Encumbrances | (16,740) |
| Budget Basis | <u>(\$10,644)</u> |

For the nonexpendable trust fund, the GAAP basis was the same as the budget basis because there was no revenue or expense accruals; therefore, a table was not presented.

5. DEPOSITS AND INVESTMENTS

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

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

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

State statute permits inactive monies to be deposited or invested in the following securities:

- 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;
- Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 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;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasurer's investment pool (STAR Ohio); and
- Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

At fiscal year end, the School District had \$650 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

At June 30, 2001, the School District had "cash and cash equivalents with fiscal agent" in the special revenue funds of \$6,467. The money is held by the Darke County Educational Service Center which is the fiscal agent of several other School Districts and therefore cannot be classified by risk under GASB Statement No. 3. The classification for the Darke County Educational Service Center as a whole can be obtained by writing to Carolyn Garver, who serves as Treasurer, at 5279 Education Drive, Greenville, Ohio 45331.

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$23,754 and the bank balance was \$71,788, all of which was covered by federal depository insurance.

Investments: The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The only School District investment at year end was STAR Ohio. It is an unclassified investment with a carrying value and a market value of \$2,543,324.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/Deposits | Investments |
|--|---------------------------------------|-------------|
| GASB Statement 9 | \$2,570,003 | \$4,192 |
| Cash on Hand | (650) | |
| Cash and Cash Equivalents with Fiscal Agents | (6,467) | |
| Investments: | | |
| Certificate of Deposit | 4,192 | (4,192) |
| STAR Ohio | (2,543,324) | 2,543,324 |
| GASB Statement 3 | \$23,754 | \$2,543,324 |

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar year 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

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

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

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

| | 2000 Second- Half Collections | | 2001 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$76,925,700 | 88.95% | \$83,070,130 | 89.58% |
| Public Utilities Real | 6,949,140 | 8.04 | 6,945,640 | 7.49 |
| Tangible Personal Property | 2,610,380 | 3.01 | 2,716,950 | 2.93 |
| Total Assessed Value | <u>\$86,485,220</u> | <u>100.00%</u> | <u>\$92,732,720</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$26.18 | | \$26.18 | |

The School District receives property taxes from Darke County. The County Auditor 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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2001, was \$250,602 in the general fund.

7. INCOME TAX

The School District levies a voted tax of 0.75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and 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.

8. RECEIVABLES

Receivables at June 30, 2001, consisted of both property and income taxes, accounts (student fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full. The general fund had intergovernmental receivables of \$21,128 for MH/SBH/Hearing services due from local schools.

9. FIXED ASSETS

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

| | |
|-------------------------------|----------|
| Furniture and Equipment | \$72,929 |
| Less Accumulated Depreciation | (50,410) |
| Net Fixed Assets | \$22,519 |

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

| Asset Category | Balance at 6/30/00 | Additions | Deletions | Balance at 6/30/01 |
|-----------------------------------|-----------------------|-----------|-----------|-----------------------|
| Land and Improvements | \$54,563 | \$7,817 | | \$62,380 |
| Buildings and Improvements | 3,353,768 | 105,625 | | 3,459,393 |
| Furniture, Fixtures and Equipment | 1,227,666 | 121,647 | 29,999 | 1,319,314 |
| Vehicles | 724,062 | | | 724,062 |
| Totals | \$5,360,059 | \$235,089 | \$29,999 | \$5,565,149 |

There was no significant construction in progress at June 30, 2001.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide/Wausau Educational Insurers for liability insurance, boiler and machine insurance, inland marine, and property insurance; and Auto Owners Insurance Company for fleet insurance. Coverages provided are as follows:

| | |
|---|--------------|
| Building and Contents-replacement cost: (\$1,000 deductible) | \$16,282,100 |
| Inland Marine Coverage (\$100 deductible) | 839,206 |
| Inland Marine Coverage (\$100 deductible) | 749,629 |
| Boiler and Machinery (\$1,000 deductible) | 12,395,500 |
| Automobile Liability (\$0 deductible) | 1,000,000 |
| Uninsured Motorists (\$0 deductible) | 1,000,000 |
| Collision | A.C.V. |
| General Liability | |
| Per occurrence | 1,000,000 |
| Total per year | 5,000,000 |

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

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The School District applies for participation each year. The firm of Gates McDonald and Company provides administrative, cost control and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$23,879, \$23,175, and \$42,547, respectively; 23.66 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$18,230 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement benefits and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, 1999 were \$360,984, \$182,863, and \$173,675, respectively; 84.43 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$56,223 represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

12. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$170,992 during the 2001 fiscal year.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase from 1.3 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$73,168.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days for all employees.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

13. OTHER EMPLOYEE BENEFITS (Continued)

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource. Medical benefits are provided through Anthem. Dental and vision are provided through CoreSource and VSP, respectively.

14. LONG-TERM OBLIGATIONS

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

| | Amount Outstanding 6/30/00 | Additions | Deductions | Amount Outstanding 6/30/01 |
|---|----------------------------------|-----------------|-----------------|----------------------------------|
| Energy Conservation Notes 1992 5.95% | \$117,900 | | \$36,900 | \$81,000 |
| Intergovernmental Payable | 47,165 | 56,352 | 47,165 | 56,352 |
| Compensated Absences Payable | 423,165 | 22,425 | | 445,590 |
| Total General Long-Term Obligations | <u>\$588,230</u> | <u>\$78,777</u> | <u>\$84,065</u> | <u>\$582,942</u> |

Energy Conservation Notes - On July 24, 1992, Arcanum-Butler Local School District issued \$320,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2003. The notes will be retired from the general fund.

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

The School District's voted legal debt margin was \$8,345,945 with an unvoted debt margin of \$92,733 at June 30, 2001. The District's energy conservation debt margin is \$753,594.

Principal and interest requirements to retire general obligation debt, including energy conservation notes outstanding at June 30, 2001, are as follows:

| Fiscal year Ending June 30, | Principal | Interest | Total |
|--------------------------------|-----------------|----------------|-----------------|
| 2002 | \$39,200 | \$4,820 | \$44,020 |
| 2003 | 41,800 | 2,487 | 44,287 |
| Total | <u>\$81,000</u> | <u>\$7,307</u> | <u>\$88,307</u> |

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Arcanum-Butler Local School District as of and for the fiscal year ended June 30, 2001.

| | <u>Food Service</u> | <u>Uniform School Supplies</u> | <u>Total Enterprise Funds</u> |
|--|---------------------|--|---------------------------------------|
| Operating Revenues | \$204,623 | \$35,615 | \$240,238 |
| Depreciation Expense | 3,560 | | 3,560 |
| Operating (Loss) Income | (72,711) | 573 | (72,138) |
| Federal Donated Commodities | 16,661 | | 16,661 |
| Interest | 6,930 | | 6,930 |
| Federal and State Subsidies | 51,184 | | 51,184 |
| Net Income | 2,064 | 573 | 2,637 |
| Fixed Assets Additions | 2,897 | | 2,897 |
| Fixed Assets Deletions | 1,830 | | 1,830 |
| Net Working Capital | 111,906 | 12,977 | 124,883 |
| Total Assets | 163,472 | 14,575 | 178,047 |
| Long-Term Compensated Absences Payable | 9,463 | | 9,463 |
| Total Equity | 122,049 | 12,977 | 135,026 |
| Encumbrances Outstanding At June 30, 2001 | \$15,066 | \$1,674 | \$16,740 |

16. SIGNIFICANT CONTRACTUAL COMMITMENTS

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

| Contractor | Project Name | Contract Amount | Amount Expended | Balance 6/30/2001 |
|--------------------------------|---|--------------------|--------------------|----------------------|
| Janitorial Management Services | Cleaning Butler MS | \$5,636 | \$0 | \$5,636 |
| Adtec Floor Care | Scrub Recoat Floors Arcanum Building | 4,995 | 0 | 4,995 |
| Tim Geeding Construction | Drop Ceilings Stairways HS | 3,054 | 0 | 3,054 |
| Myers Equip. Corp. | 71 Passenger Bus | 51,194 | 0 | 51,194 |

17. JOINTLY GOVERNED ORGANIZATIONS

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

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$3,426 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC 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 2001, the School District paid \$801 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representative per area. All others elect one representative per area. All Superintendents except for those from Educational Service Centers vote on the representatives after nominating committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2001, the School District paid \$827 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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(Continued)**

18. INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District paid \$1,480 from the general fund during fiscal year 2001.

19. RELATED ORGANIZATION

Arcanum Public Library - The Arcanum Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Arcanum-Butler Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. The School District had no financial transactions with the Arcanum Public Library during fiscal year 2001. Financial information can be obtained from the Arcanum Public Library, Roberta J. Brown, Clerk/Treasurer, at 101 North Street, Arcanum, Ohio 45304.

20. SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years.

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

| | Budget Stabilization Reserve | Capital Improvements Reserve | Textbooks/ Instructional Materials Reserve |
|--|------------------------------------|------------------------------------|---|
| | <u> </u> | <u> </u> | <u> </u> |
| Set-aside Reserve Balance as of June 30, 2000 | \$80,092 | \$8,014 | \$51,226 |
| Current Year Set-aside Requirement | | 150,008 | 150,008 |
| Transfer to General Fund | (80,092) | | |
| Qualifying Disbursements | | <u>(97,803)</u> | <u>(85,015)</u> |
| Set-aside Reserve Carried Forward to Future Fiscal Years Cash Balance | <u>\$0</u> | <u>\$60,219</u> | <u>\$116,219</u> |
| Set-aside Reserve Balance as of June 30, 2001 | <u>\$0</u> | <u>\$60,219</u> | <u>\$116,219</u> |

The total reserve balance presented on the balance sheet for the three set-asides at the end of the fiscal year 2001 was \$176,438.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

21. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 28, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

21. CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY

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

| | GOVERNMENTAL FUND TYPES | | | PROPRIETARY FUND TYPE |
|--|---------------------------|-------------------------|------------------------|--------------------------|
| | GENERAL | SPECIAL REVENUE | CAPITAL PROJECTS | ENTERPRISE |
| Assets and Other Debits | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,659,390 | \$147,386 | \$56,394 | \$138,806 |
| Cash and Cash Equivalents: With Fiscal Agents | | 9,663 | | |
| Investments | | | | |
| Receivables: | | | | |
| Property and Other Taxes | 1,693,357 | | | |
| Income Taxes | 253,498 | | | |
| Accounts | 41,613 | 9,503 | | 1,150 |
| Intergovernmental | 6,525 | | | 6,689 |
| Accrued Interest | 2,397 | | | |
| Prepaid Items | 31,263 | 5 | | 1,589 |
| Inventory Held for Resale | | | | 5,921 |
| Inventory of Supplies and Materials | 761 | | | 2,208 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 139,332 | | | |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | | | | 23,182 |
| Other Debits: | | | | |
| Amount to be Provided for Retirement of General Long-Term Debt | | | | |
| Total Assets and Other Debits | <u><u>3,828,136</u></u> | <u><u>166,557</u></u> | <u><u>56,394</u></u> | <u><u>179,545</u></u> |
| Liabilities, Fund Equity and Other Credits | | | | |
| Liabilities: | | | | |
| Accounts Payable | 78,667 | 6,022 | 4,434 | 4,057 |
| Contracts Payable | 30,775 | | | |
| Accrued Wages and Benefits Payable | 647,517 | 18,111 | | 18,869 |
| Compensated Absences Payable | 17,254 | 684 | | 8,647 |
| Intergovernmental Payable | 122,993 | | | 11,967 |
| Deferred Revenue | 1,481,265 | | | 3,615 |
| Due to Students | | | | |
| Energy Conservation Note Payable | | | | |
| Total Liabilities | <u><u>2,378,471</u></u> | <u><u>24,817</u></u> | <u><u>4,434</u></u> | <u><u>47,155</u></u> |
| Fund Equity and Other Credits: | | | | |
| Investment in General Fixed Assets | | | | |
| Retained Earnings: | | | | |
| Unreserved | | | | 132,390 |
| Fund Balance: | | | | |
| Reserved for Encumbrances | 97,392 | 10,434 | 1,566 | |
| Reserved for Inventory | 761 | | | |
| Reserved for Property Taxes | 212,092 | | | |
| Reserved for Textbooks & Instructional Matl. | 51,226 | | | |
| Reserved for Capital Improvements | 8,014 | | | |
| Reserved for Budget Stabilization | 80,092 | | | |
| Reserved for Non-Expendable Trust Fund | | | | |
| Unreserved, Undesignated | 1,000,088 | 131,306 | 50,394 | |
| Total Fund Equity and Other Credits | <u><u>1,449,665</u></u> | <u><u>141,740</u></u> | <u><u>51,960</u></u> | <u><u>132,390</u></u> |
| Total Liabilities, Fund Equity and Other Credits | <u><u>\$3,828,136</u></u> | <u><u>\$166,557</u></u> | <u><u>\$56,394</u></u> | <u><u>\$179,545</u></u> |

See Accompanying Notes to the General Purpose Financial Statements

| FIDUCIARY FUND TYPES | ACCOUNT GROUPS | | TOTAL (MEMORANDUM ONLY) |
|-------------------------|----------------------------|-------------------------------------|-------------------------------|
| | GENERAL FIXED ASSETS | GENERAL LONG-TERM OBLIGATIONS | |
| TRUST AND AGENCY | | | |
| \$31,251 | | | \$2,033,227 |
| | | | 9,663 |
| 4,192 | | | 4,192 |
| | | | 1,693,357 |
| | | | 253,498 |
| | | | 52,266 |
| | | | 13,214 |
| 128 | | | 2,525 |
| | | | 32,857 |
| | | | 5,921 |
| | | | 2,969 |
| | | | 139,332 |
| | 5,360,059 | | 5,383,241 |
| | | 588,230 | 588,230 |
| <u>35,571</u> | <u>5,360,059</u> | <u>588,230</u> | <u>10,214,492</u> |
| | | | 93,180 |
| | | | 30,775 |
| | | | 684,497 |
| | | 423,165 | 449,750 |
| | | 47,165 | 182,125 |
| | | | 1,484,880 |
| 13,597 | | | 13,597 |
| | | 117,900 | 117,900 |
| <u>13,597</u> | | <u>588,230</u> | <u>3,056,704</u> |
| | 5,360,059 | | 5,360,059 |
| | | | 132,390 |
| | | | 109,392 |
| | | | 761 |
| | | | 212,092 |
| | | | 51,226 |
| | | | 8,014 |
| 4,180 | | | 80,092 |
| 17,794 | | | 4,180 |
| <u>21,974</u> | <u>5,360,059</u> | | <u>1,199,582</u> |
| <u>\$35,571</u> | <u>\$5,360,059</u> | <u>\$588,230</u> | <u>\$10,214,492</u> |

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

| | GOVERNMENTAL FUND TYPES | | | FIDUCIARY FUND TYPE | TOTAL (MEMORANDUM ONLY) |
|--|-------------------------|--------------------|---------------------|------------------------|-------------------------------|
| | GENERAL | SPECIAL REVENUE | CAPITAL PROJECTS | EXPENDABLE TRUST | |
| Revenues: | | | | | |
| Property and Other Taxes | \$1,582,593 | | | | \$1,582,593 |
| Income Taxes | 699,717 | | | | 699,717 |
| Tuition and Fees | 372,549 | 72 | | | 372,621 |
| Interest | 121,358 | 30 | | 371 | 121,759 |
| Intergovernmental | 3,874,755 | 230,120 | 131,916 | | 4,236,791 |
| Extracurricular Activities | | 150,140 | | | 150,140 |
| Gifts and Donations | 31,300 | 16,914 | | | 48,214 |
| Miscellaneous | 5,505 | 48 | | | 5,553 |
| Total Revenues | 6,687,777 | 397,324 | 131,916 | 371 | 7,217,388 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 3,344,646 | 94,868 | 42,813 | | 3,482,327 |
| Special | 546,407 | 115,179 | | | 661,586 |
| Vocational | 51,557 | | | | 51,557 |
| Other | 15,811 | | | | 15,811 |
| Support Services: | | | | | |
| Pupils | 226,162 | 48,210 | | | 274,372 |
| Instructional Staff | 394,060 | 32,772 | 56,593 | 2,700 | 486,125 |
| Board of Education | 18,391 | | | | 18,391 |
| Administration | 498,506 | | | | 498,506 |
| Fiscal | 152,247 | | | | 152,247 |
| Operation and Maintenance of Plant | 563,916 | 884 | 1,207 | | 566,007 |
| Pupil Transportation | 342,847 | | | | 342,847 |
| Central | 2,159 | 2,427 | | | 4,586 |
| Operation of Non-Instructional Services | 522 | 477 | | | 999 |
| Extracurricular Activities | 165,705 | 113,348 | | | 279,053 |
| Capital Outlay | 59,334 | | 126,275 | | 185,609 |
| Debt Service: | | | | | |
| Principal Retirement | 34,600 | | | | 34,600 |
| Interest and Fiscal Charges | 9,074 | | | | 9,074 |
| Total Expenditures | 6,425,944 | 408,165 | 226,888 | 2,700 | 7,063,697 |
| Excess of Revenues Over (Under) Expenditures | 261,833 | (10,841) | (94,972) | (2,329) | 153,691 |
| Other Financing Sources & (Uses): | | | | | |
| Proceeds from Sale of Fixed Assets | 150 | | | | 150 |
| Operating Transfers Out | (1,973) | | | | (1,973) |
| Total Other Financing Sources & (Uses) | (1,823) | | | | (1,823) |
| Excess of Revenues Over (Under) Expenditures and Other Financing Uses | 260,010 | (10,841) | (94,972) | (2,329) | 151,868 |
| Fund Balances at Beginning of Year | 1,190,036 | 152,581 | 146,932 | 19,983 | 1,509,532 |
| Decrease in Reserve for Inventory | (381) | | | | (381) |
| Fund Balances at End of Year | \$1,449,665 | \$141,740 | \$51,960 | \$17,654 | \$1,661,019 |

See Accompanying Notes to the General Purpose Financial Statements

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**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| | GENERAL FUND | | | SPECIAL REVENUE FUNDS | | |
|---|--------------------|--------------------|--|-----------------------|------------------|--|
| | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| Revenues: | | | | | | |
| Property and Other Taxes | \$1,495,175 | \$1,520,901 | \$25,726 | | | |
| Income Tax | 680,484 | 695,242 | 14,758 | | | |
| Tuition and Fees | 312,306 | 300,123 | (12,183) | | | |
| Interest | 117,675 | 118,178 | 503 | | | |
| Intergovernmental | 3,787,093 | 3,830,795 | 43,702 | 224,459 | 240,244 | 15,785 |
| Extracurricular Activities | | | | 141,756 | 149,044 | 7,288 |
| Gifts and Donations | 30,000 | 31,300 | 1,300 | 11,450 | 16,914 | 5,464 |
| Miscellaneous | 1,788 | 4,650 | 2,862 | | | |
| Total Revenues | 6,424,521 | 6,501,189 | 76,668 | 377,665 | 406,202 | 28,537 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 3,451,694 | 3,351,101 | 100,593 | 124,754 | 99,486 | 25,268 |
| Special | 583,652 | 525,728 | 57,924 | 140,347 | 114,839 | 25,508 |
| Vocational | 54,923 | 52,107 | 2,816 | | | |
| Other | 31,799 | 17,543 | 14,256 | | | |
| Support Services: | | | | | | |
| Pupils | 240,864 | 233,379 | 7,485 | 38,191 | 33,572 | 4,619 |
| Instructional Staff | 408,015 | 401,015 | 7,000 | 38,933 | 32,041 | 6,892 |
| Board of Education | 22,195 | 20,122 | 2,073 | | | |
| Administration | 508,865 | 492,314 | 16,551 | | | |
| Fiscal | 159,280 | 155,881 | 3,399 | | | |
| Operation and Maintenance of Plant | 655,206 | 604,210 | 50,996 | 1,390 | 1,390 | |
| Pupil Transportation | 427,385 | 377,074 | 50,311 | | | |
| Central | 2,613 | 2,179 | 434 | 2,722 | 2,427 | 295 |
| Operation of Non-Instructional Services | 650 | 522 | 128 | 657 | 652 | 5 |
| Extracurricular Activities | 231,309 | 226,890 | 4,419 | 122,936 | 112,936 | 10,000 |
| Capital Outlay | 57,809 | 28,559 | 29,250 | 0 | 0 | |
| Debt Service: | | | | | | |
| Principal Retirement | 34,600 | 34,600 | | | | |
| Interest and Fiscal Charges | 9,074 | 9,074 | | | | |
| Total Expenditures | 6,879,933 | 6,532,298 | 347,635 | 469,930 | 397,343 | 72,587 |
| Excess of Revenues Over (Under) Expenditures | (455,412) | (31,109) | 424,303 | (92,265) | 8,859 | 101,124 |
| Other Financing Sources (Uses): | | | | | | |
| Other Financing Sources | | | | (500) | | 500 |
| Proceeds from Sale of Fixed Assets | | 150 | 150 | | | |
| Refund of Prior Year Expenditures | 74,828 | 74,678 | (150) | | 72 | 72 |
| Operating Transfers - Out | (1,973) | (1,973) | | | | |
| Refund of Prior Year Receipts | (26,234) | (26,234) | | (1) | (1) | |
| Other Financing Uses | (20,000) | | 20,000 | | | |
| Total Other Financing Sources (Uses) | 26,621 | 46,621 | 20,000 | (501) | 71 | 572 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (428,791) | 15,512 | 444,303 | (92,766) | 8,930 | 101,696 |
| Fund Balances at Beginning of Year | 1,382,029 | 1,382,029 | | 112,800 | 112,800 | |
| Prior Year Encumbrances Appropriated | 241,190 | 241,190 | | 12,928 | 12,928 | |
| Fund Balances at End of Year | \$1,194,428 | \$1,638,731 | \$444,303 | \$32,962 | \$134,658 | \$101,696 |

See Accompanying Notes to the General Purpose Financial Statements

| CAPITAL PROJECTS FUNDS | | | EXPENDABLE TRUST FUNDS | | |
|------------------------|-----------------|----------------------------------|------------------------|-----------------|----------------------------------|
| REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| 222,642 | 222,642 | | 371 | 371 | |
| <u>222,642</u> | <u>222,642</u> | | <u>371</u> | <u>371</u> | |
| 52,615 | 52,605 | 10 | | | |
| 68,712 | 57,826 | 10,886 | 3,000 | 2,700 | 300 |
| 1,207 | 1,207 | | | | |
| 140,726 | 140,726 | | | | |
| <u>263,260</u> | <u>252,364</u> | <u>10,896</u> | <u>3,000</u> | <u>2,700</u> | <u>300</u> |
| <u>(40,618)</u> | <u>(29,722)</u> | <u>10,896</u> | <u>(2,629)</u> | <u>(2,329)</u> | <u>300</u> |
| | | | | | |
| | | | | | |
| (40,618) | (29,722) | 10,896 | (2,629) | (2,329) | 300 |
| 29,873 | 29,873 | | 16,983 | 16,983 | |
| 50,244 | 50,244 | | 3,000 | 3,000 | |
| <u>\$39,499</u> | <u>\$50,395</u> | <u>\$10,896</u> | <u>\$17,354</u> | <u>\$17,654</u> | <u>\$300</u> |

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

| | <u>PROPRIETARY FUND TYPE</u> | <u>FIDUCIARY FUND TYPE</u> | <u>TOTAL (MEMORANDUM ONLY)</u> |
|--|----------------------------------|--------------------------------|--|
| | <u>ENTERPRISE</u> | <u>NONEXPENDABLE TRUST</u> | |
| Operating Revenues: | | | |
| Sales | \$231,638 | | \$231,638 |
| Interest | | 211 | 211 |
| Total Operating Revenues | <u>231,638</u> | <u>211</u> | <u>231,849</u> |
| Operating Expenses: | | | |
| Salaries and Wages | 102,672 | | 102,672 |
| Fringe Benefits | 32,231 | | 32,231 |
| Purchased Services | 2,333 | | 2,333 |
| Supplies and Materials | 9,686 | | 9,686 |
| Cost of Sales | 169,540 | | 169,540 |
| Other Operating Expenses | | 210 | 210 |
| Depreciation | 4,083 | | 4,083 |
| Total Operating Expenses | <u>320,545</u> | <u>210</u> | <u>320,755</u> |
| Operating Income/(Loss) | <u>(88,907)</u> | <u>1</u> | <u>(88,906)</u> |
| Non-Operating Revenues and (Expenses): | | | |
| Interest | 6,842 | | 6,842 |
| Federal Donated Commodities | 22,572 | | 22,572 |
| Federal and State Subsidies | 52,233 | | 52,233 |
| Loss on Disposal of Fixed Assets | (253) | | (253) |
| Total Non-Operating Revenues and (Expenses) | <u>81,394</u> | | <u>81,394</u> |
| Income (Loss) Before Operating Transfers | (7,513) | 1 | (7,512) |
| Operating Transfers-In | 1,973 | | 1,973 |
| Net Income (Loss) | (5,540) | 1 | (5,539) |
| Retained Earnings/Fund Balance at Beginning of Year | <u>137,930</u> | <u>4,319</u> | <u>142,249</u> |
| Retained Earnings/Fund Balance at End of Year | <u><u>\$132,390</u></u> | <u><u>\$4,320</u></u> | <u><u>\$136,710</u></u> |

See Accompanying Notes to the General Purpose Financial Statements

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| | <u>ENTERPRISE FUNDS</u> | | | <u>NONEXPENDABLE TRUST FUND</u> | | |
|--|---------------------------|------------------|---|---------------------------------|----------------|---|
| | <u>REVISED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> | <u>REVISED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
| Revenues: | | | | | | |
| Sales | \$228,203 | \$232,345 | \$4,142 | | | |
| Interest | 7,000 | 6,660 | (340) | 210 | 210 | |
| Federal and State Subsidies | 53,270 | 53,151 | (119) | | | |
| Refund of Prior Year Expense | | 69 | 69 | | | |
| Total Revenues | <u>288,473</u> | <u>292,225</u> | <u>3,752</u> | <u>210</u> | <u>210</u> | |
| Expenses: | | | | | | |
| Salaries | 100,253 | 100,240 | 13 | | | |
| Fringe Benefits | 35,481 | 31,772 | 3,709 | | | |
| Purchased Services | 5,230 | 3,213 | 2,017 | | | |
| Supplies and Materials | 185,947 | 155,995 | 29,952 | | | |
| Capital Outlay | 5,540 | 2,051 | 3,489 | | | |
| Other Operating Expenses | | | | 210 | 210 | |
| Total Expenses | <u>332,451</u> | <u>293,271</u> | <u>39,180</u> | <u>210</u> | <u>210</u> | |
| Excess of Revenues Over (Under) Expenses Before Operating Transfers | (43,978) | (1,046) | 42,932 | | | |
| Operating Transfer-In | 1,973 | 1,973 | | | | |
| Excess of Revenues and Operating Transfers Over (Under) Expenses | (42,005) | 927 | 42,932 | | | |
| Fund Equity at Beginning of Year | 127,253 | 127,253 | | 4,192 | 4,192 | |
| Prior Year Encumbrances Appropriated | 7,685 | 7,685 | | | | |
| Fund Equity at End of Year | <u>\$92,933</u> | <u>\$135,865</u> | <u>\$42,932</u> | <u>\$4,192</u> | <u>\$4,192</u> | |

See Accompanying Notes to the General Purpose Financial Statements

ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY

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

| | PROPRIETARY FUND TYPE | FIDUCIARY FUND TYPE | TOTAL (MEMORANDUM ONLY) |
|---|--------------------------|------------------------|-------------------------------|
| | ENTERPRISE | NONEXPENDABLE TRUST | |
| <u>Increase (Decrease) in Cash and Cash Equivalents</u> | | | |
| Cash Flows from Operating Activities: | | | |
| Cash Received from Customers | \$232,413 | | \$232,413 |
| Cash Payments to Employees for Services and Benefits | (132,012) | | (132,012) |
| Cash Payments to Suppliers for Goods and Services | (159,005) | | (159,005) |
| Cash Payments to Students for Scholarship | | (210) | (210) |
| Net Cash Provided Used In Operating Activities | <u>(58,604)</u> | <u>(210)</u> | <u>(58,814)</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Federal and State Subsidies Received | 53,151 | | 53,151 |
| Operating Transfer-In | 1,973 | | 1,973 |
| Net Cash Provided By Noncapital Financing Activities | <u>55,124</u> | | <u>55,124</u> |
| Cash Flows from Investing Activities: | | | |
| Interest | 6,842 | 210 | 7,052 |
| Net Cash Provided by Investing Activities | <u>6,842</u> | <u>210</u> | <u>7,052</u> |
| Net Increase in Cash and Cash Equivalents | 3,362 | | 3,362 |
| Cash and Cash Equivalents Beginning of Year | <u>135,444</u> | | <u>135,444</u> |
| Cash and Cash Equivalents End of Year | <u>\$138,806</u> | <u>\$0</u> | <u>\$138,806</u> |
| Reconciliation of Operating Loss to Net Cash Used In Operating Activities: | | | |
| Operating Loss | (\$88,907) | \$1 | (\$88,906) |
| Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities: | | | |
| Depreciation | 4,083 | | 4,083 |
| Donated Commodities Received | 22,572 | | 22,572 |
| Interest for Nonexpendable Trust Fund | | (210) | (210) |
| Changes in Assets and Liabilities: | | | |
| Decrease in Accounts Receivable | 775 | | 775 |
| Increase in Accrued Interest Receivable | | (1) | (1) |
| Increase in Prepaid Items | (452) | | (452) |
| Decrease in Supplies Inventory | 50 | | 50 |
| Increase in Inventory Held for Resale | (390) | | (390) |
| Increase in Accounts Payable | 1,226 | | 1,226 |
| Increase in Accrued Salaries Payable | 1,183 | | 1,183 |
| Increase in Intergovernmental Payable | 7 | | 7 |
| Increase in Compensated Absences Payable | 1,249 | | 1,249 |
| Net Cash Used In Operating Activities | <u>(\$58,604)</u> | <u>(\$210)</u> | <u>(\$58,814)</u> |
| Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet | | | |
| Cash and Cash Equivalents-All Fiduciary Funds | | \$31,251 | |
| Cash and Cash Equivalents-Expendable Trust and Agency Funds | | <u>(31,251)</u> | |
| Cash and Cash Equivalents-Nonexpendable Trust Fund | | <u>\$0</u> | |

See Accompanying Notes to the General Purpose Financial Statements

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was originally established in 1885 and consolidated as Arcanum-Butler Local School District through the consolidation of existing land areas and school districts. The School District serves an area of approximately 54 square miles. It is located in Darke County, and includes all of the Villages of Arcanum, Ithaca, Gordon, and Castine and portions of Twin, Butler, VanBuren, and Neave Townships. It is staffed by 41 non-certificated employees, 78 certificated full-time teaching personnel and 7 administrative employees who provide services to 1,191 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, and 1 garage.

Reporting Entity:

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 consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Arcanum-Butler Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with several organizations which are defined as jointly governed organizations, an insurance purchasing pool, and a related organization. These organizations include the Metropolitan Dayton Educational Cooperative Association, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Instructional Technology Association, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Arcanum Public Library. These organizations are presented in Notes 16, 17, and 18 of the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District does not have contributed capital. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. A portion of the Eisenhower Math and Science, Title VI-B, and Handicapped Preschool special revenue funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Darke County Budget Commission for rate determination.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

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

Lapsing of Appropriations:

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

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

The balance of various grant activity administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents," and represents deposits of the Darke County Educational Service Center.

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

Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$121,358, which includes \$12,009 assigned from other School District funds. The special revenue, expendable trust, nonexpendable trust, and enterprise funds also received interest revenue of \$30, \$371, \$211, and \$6,842 respectively.

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three hundred dollars.

The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Program

Special Revenue Funds

Textbook Subsidy

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems
Title I
Title VI
Title VI-B
Title VI-R
Drug-Free Schools
Professional Development Block Grant
Handicapped Preschool

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Summer School Intervention
- Career Ed
- SchoolNet Professional Development
- Ohio Reads
- Safe School Help Line
- Eisenhower Math and Science
- Continuous Improvement Development
- Vocational Education
- Goals 2000 Family & School Partnership

Capital Projects Funds

- School Net
- School Net Plus
- Technology Equity
- Emergency Repair Grant
- Interactive Video Distance Learning

Reimbursable Grants

General Fund

- Driver Education
- E-Rate

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 59 percent of the School District's operating revenue during the 2000 fiscal year.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The School District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Special Termination Benefit

The Arcanum-Butler Local School District offers a termination benefit to certified employees. The contract with the Arcanum-Butler Classroom Teachers' Association runs from July 1, 1998 through June 30, 2001 and offers a termination benefit for fiscal years 1999, 2000, and 2001. The benefit is granted to a qualifying teacher, who has attained or will attain at least thirty years of service credit to apply toward pension calculation under the State Teachers' Retirement System, or a teacher who is 65 years of age and otherwise eligible to retire under rules of the State Teachers' Retirement System. The incentive is \$1,000 per year of service with the Board, not to exceed \$10,000. Payment is made in one lump sum when the amount of the incentive has been recouped, as determined by the Treasurer, but no later than fourteen months following the effective date of the retirement. A qualified Teacher who missed the February 1, 1999, 2000, or 2001 deadline, as the case may be, forfeits his/her right to the incentive. In fiscal year 2000 no qualifying teachers applied for the benefit.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Long-term loans are reported as a liability of the general long-term obligations account group until due. Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets, and to create a reserve for budget stabilization.

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, inventory, non expendable trust fund principal, capital improvements, textbooks and instructional materials, and budget stabilization.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for the nonexpendable trust fund signifies the legal restrictions on the use of principal.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust fund and as note disclosure in the proprietary fund type (GAAP basis).
4. The School District does not budget a portion of the activities of certain special revenue funds administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent that pertain to the School District are included in the special revenue funds (GAAP basis).

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Funds | | | | |
|--|-----------|--------------------|---------------------|---------------------|
| | General | Special Revenue | Capital Projects | Expendable Trust |
| GAAP Basis | \$260,010 | (\$10,841) | (\$94,972) | (\$2,329) |
| Revenue Accruals | (111,910) | 8,951 | 90,726 | |
| Prepaid Items | (1,057) | | | |
| Expenditure Accruals | 17,295 | 6,561 | (19,477) | |
| Encumbrances | (148,826) | (12,698) | (5,999) | |
| Non Budgeted Fund Activity | | 16,957 | | |
| Budget Basis | \$15,512 | \$8,930 | (\$29,722) | (\$2,329) |

Net Income (Loss)/Excess of Revenues and Operating Transfer Over (Under)
Expenses, Proprietary Fund Type and Nonexpendable Trust Fund

| | Enterprise | Nonexpendable Trust |
|----------------------------------|------------|------------------------|
| GAAP Basis | (\$5,540) | \$1 |
| Revenue Accruals | 1,512 | (1) |
| Expense Accruals | 2,334 | |
| Prepaid Items | 452 | |
| Materials and Supplies Inventory | (50) | |
| Inventory Held for Resale | 390 | |
| Depreciation Expense | 4,083 | |
| Encumbrances | (2,254) | |
| Budget Basis | \$927 | \$0 |

4. DEPOSITS AND INVESTMENTS

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

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

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

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

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

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

State statute permits inactive monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

At fiscal year end, the School District had \$650 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

The "cash and cash equivalents with fiscal agent" of \$9,663 shown in the special revenue funds is maintained with the Darke County Educational Service Center. GASB 3 disclosures regarding this amount can be obtained from their annual report.

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$25,821 and the bank balance was \$65,478, all of which was covered by federal depository insurance.

Investments: The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The only School District investment at year end was STAR Ohio. It is an unclassified investment with a carrying value and a market value of \$2,150,280.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/Deposits | Investments |
|--|---------------------------------------|-------------|
| GASB Statement 9 | \$2,182,222 | \$4,192 |
| Cash on Hand | (650) | |
| Cash and Cash Equivalents with Fiscal Agents | (9,663) | |
| Investments: | | |
| Certificate of Deposit | 4,192 | (4,192) |
| STAR Ohio | (2,150,280) | 2,150,280 |
| GASB Statement 3 | \$25,821 | \$2,150,280 |

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar year 2000 taxes.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

5. PROPERTY TAXES (Continued)

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

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

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

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

| | 1999 Second- Half Collections | | 2000 First- Half Collections | |
|---|----------------------------------|-----------------------|---------------------------------|-----------------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$64,938,090 | 87.02% | \$76,925,700 | 88.95% |
| Public Utilities | 7,049,680 | 9.48 | 6,949,140 | 8.04 |
| Tangible Personal Property | 2,634,790 | 3.50 | 2,610,380 | 3.01 |
| Total Assessed Value | <u>\$74,622,560</u> | <u>100.00%</u> | <u>\$86,485,220</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$26.18 | | \$26.18 | |

The School District receives property taxes from Darke County. The County Auditor 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, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$212,092 in the general fund.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

6. INCOME TAX

The School District levies a voted tax of 0.75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and 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.

7. RECEIVABLES

Receivables at June 30, 2000, consisted of both property and income taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

8. FIXED ASSETS

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

| | |
|-------------------------------|------------------------|
| Furniture and Equipment | \$71,862 |
| Less Accumulated Depreciation | <u>(48,680)</u> |
| Net Fixed Assets | <u><u>\$23,182</u></u> |

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

| Asset Category | Balance at 6/30/99 | Additions | Deletions | Balance at 6/30/00 |
|--------------------------------------|---------------------------|-------------------------|------------------------|---------------------------|
| Land and Improvements | \$54,563 | | | \$54,563 |
| Buildings and Improvements | 3,328,257 | 25,511 | | 3,353,768 |
| Furniture, Fixtures and Equipment | 1,117,238 | 146,302 | 35,874 | 1,227,666 |
| Vehicles | 692,468 | 64,482 | 32,888 | 724,062 |
| Totals | <u><u>\$5,192,526</u></u> | <u><u>\$236,295</u></u> | <u><u>\$68,762</u></u> | <u><u>\$5,360,059</u></u> |

There was no significant construction in progress at June 30, 2000.

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide/Wausau Educational Insurers for liability insurance, boiler and machine insurance, inland marine, and property insurance; and Auto Owners Insurance Company for fleet insurance. Coverages provided are as follows:

| | |
|---|--------------|
| Building and Contents-replacement cost: (\$1,000 deductible) | \$15,783,200 |
| Inland Marine Coverage (\$100 deductible) | 749,629 |
| Boiler and Machinery (\$1,000 deductible) | 11,995,700 |

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

9. RISK MANAGEMENT (Continued)

| | |
|---------------------------------------|-----------|
| Automobile Liability (\$0 deductible) | 1,000,000 |
| Uninsured Motorists (\$0 deductible) | 1,000,000 |
| Collision | A.C.V. |
| General Liability | |
| Per occurrence | 1,000,000 |
| Total per year | 5,000,000 |

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

B. Worker's Compensation

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The School District applies for participation each year. The firm of Gates McDonald and Company provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

10. DEFINED BENEFIT PENSION PLANS

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$23,175, \$42,547, and \$32,913, respectively; 3.7 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$22,317 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement benefits and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, 1998 were \$182,863, \$173,675, and \$456,051, respectively; 79.61 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999, and 1998. \$37,289 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

11. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$243,817 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2.783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

11. POSTEMPLOYMENT BENEFITS (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$91,219.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 216 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 54 days for all employees.

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource. Medical benefits are provided through Anthem. Dental and vision are provided through CoreSource and VSP respectively.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

13. LONG-TERM OBLIGATIONS

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

| | Amount Outstanding 6/30/99 | Additions | Deduction | Amount Outstanding 6/30/00 |
|---|----------------------------------|-----------------|------------------|----------------------------------|
| Energy Conservation Notes 1992 5.95% | \$152,500 | | \$34,600 | \$117,900 |
| Intergovernmental Payable | 45,951 | 47,165 | 45,951 | 47,165 |
| Compensated Absences | 400,556 | 22,609 | | 423,165 |
| Special Termination Benefit | 30,000 | | 30,000 | |
| Total General Long-Term Obligations | <u>\$629,007</u> | <u>\$69,774</u> | <u>\$110,551</u> | <u>\$588,230</u> |

Energy Conservation Notes - On July 24, 1992, Arcanum-Butler Local School District issued \$320,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2003. The notes will be retired from the general fund.

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

The School District's voted legal debt margin was \$7,783,670 with an unvoted debt margin of \$86,485 at June 30, 2000. The District's energy conservation debt margin is \$660,467.

Principal and interest requirements to retire general obligation debt, including energy conservation notes outstanding at June 30, 2000, are as follows:

| Fiscal year Ending June 30, | Principal | Interest | Total |
|--------------------------------|------------------|-----------------|------------------|
| 2001 | \$ 36,900 | \$ 7,015 | \$ 43,915 |
| 2002 | 39,200 | 4,820 | 44,020 |
| 2003 | 41,800 | 2,487 | 44,287 |
| Total | <u>\$117,900</u> | <u>\$14,322</u> | <u>\$132,222</u> |

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Arcanum-Butler Local School District as of and for the fiscal year ended June 30, 2000.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

| | Food Service | Uniform School Supplies | Total Enterprise Funds |
|--|--------------|-------------------------------|------------------------------|
| Operating Revenues | \$192,761 | \$38,877 | \$231,638 |
| Depreciation Expense | 4,083 | | 4,083 |
| Operating Loss | (85,857) | (3,050) | (88,907) |
| Donated Commodities | 22,572 | | 22,572 |
| Federal and State Subsidies | 52,233 | | 52,233 |
| Interest | 6,842 | | 6,842 |
| Loss on Sale of Fixed Assets | (253) | | (253) |
| Operating Transfer - In | | 1,973 | 1,973 |
| Net Income (Loss) | (4,464) | (1,076) | (5,540) |
| Fixed Assets Deletions | 319 | | 319 |
| Net Working Capital (Deficit) | 109,633 | 12,404 | 122,037 |
| Long-Term Liabilities payable from Revenue | 12,829 | | 12,829 |
| Total Assets | 166,261 | 13,284 | 179,545 |
| Total Equity | 119,985 | 12,405 | 132,390 |
| Encumbrances Outstanding at June 30, 2000 | \$816 | \$1,438 | \$2,254 |

15. CONTRACTUAL COMMITMENTS

As of June 30, 2000, the School District had contractual purchase commitments to blacktop and sealcoat parking areas and refinish the gymnasium floor as follows:

| Contractor | Contract Amount |
|----------------------------|--------------------|
| D.A. Robers & Assoc., Inc. | \$9,300 |
| Star City, Inc. | 3,450 |
| Wagner Paving, Inc. | 8,725 |

16. JOINTLY GOVERNED ORGANIZATIONS

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$3,179 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. 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 by the Fiscal Agent. 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 2000, the School District paid \$801 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representative per area. All others elect one representative per area. All Superintendents except for those from Educational Service Centers vote on the representatives after nominating committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2000, the School District paid \$835 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

17. INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

18. RELATED ORGANIZATION

Arcanum Public Library - The Arcanum Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Arcanum-Butler Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Arcanum Public Library, Roberta J. Brown, Clerk/Treasurer, at 101 North Street, Arcanum, Ohio 45304.

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. The School District is also required to set aside money for budget stabilization.

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

| | Budget Stabilization Reserve | Capital Improvements Reserve | Textbooks/ Instructional Materials Reserve |
|--|------------------------------------|------------------------------------|---|
| Set-aside Reserve Balance as of June 30, 1999 | \$79,370 | \$359 | \$15,819 |
| Current Year Set-aside Requirement | | 141,012 | 141,012 |
| Current Year Offsets | | | |
| Additional Money Set-aside in Previous Year | | 103,670 | |
| Workers Compensation Received | 722 | | |
| Qualifying Disbursements | | (237,027) | (105,605) |
| Set-aside Reserve Carried Forward to FY99 | 80,092 | 8,014 | 51,226 |
| Total Set-aside Reserve Balance as of June 30, 2000 | <u>\$80,092</u> | <u>\$8,014</u> | <u>\$51,226</u> |

The total reserve balance presented on the balance sheet for the three set-asides at the end of the fiscal year 2000 was \$139,332

20. FUND DEFICIT

At June 30, 2000 the title VI-R special revenue fund had a deficit fund balance of \$37 which was created by the application of the generally accepted accounting principals. The general fund is liable for any deficit in this fund and provides operating transfers when cash is needed, not when accruals occur.

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

21. SCHOOL FUNDING COURT DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

1. A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
2. Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 28, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

22. CONTINGENCIES

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

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

Arcanum-Butler Local School District
Darke County
2 Weisenbarger Court
Arcanum, Ohio 45304

To the Board of Education:

We have audited the financial statements of Arcanum-Butler Local School District (the School District), Darke County, as of and for the years ended June 30, 2001 and 2000, and have issued our report thereon dated November 28, 2001, wherein we noted the School District implemented Governmental Accounting Standards Board Statement numbers 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated November 28, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated November 28, 2001.

Arcanum-Butler Local School District
Darke County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

JIM PETRO
Auditor of State

November 28, 2001



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ARCANUM-BUTLER LOCAL SCHOOL DISTRICT

DARKE 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 18, 2001**