



**Auditor of State  
Betty Montgomery**



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Botkins Local School District, Shelby County, (the School District) as of and for the year ended June 30, 2003 and 2002. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

As discussed in Note 2, the accompanying financial statements and notes for the fiscal years ended June 30, 2002 and June 30, 2003, have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to file annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of Botkins Local School District, Shelby County, as of June 30, 2003 and 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the basis of accounting described in Note 2.

As described in Note 3, during the year ended June 30, 2002, the School District changed its method of accounting for financial reporting.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Botkins Local School District  
Shelby County  
Independent Accountants' Report  
Page 2

This report is intended solely for the information and use of the audit committee, management, Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

December 18, 2003

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts</b>					
Taxes	\$873,148	\$20,394	\$284,954	\$72,488	\$1,250,984
Tuition	236,485				236,485
Intergovernmental	2,279,954	188,254	30,394	14,479	2,513,081
Interest	19,468	316			19,784
Extracurricular Activities		116,357		8,700	125,057
Classroom Materials & Fees	33,621				33,621
Miscellaneous	7,495	17,979			25,474
<b>Total Cash Receipts</b>	<u>3,450,171</u>	<u>343,300</u>	<u>315,348</u>	<u>95,667</u>	<u>4,204,486</u>
<b>Cash Disbursements</b>					
Current:					
Instruction:					
Regular	1,694,715	57,984		15,241	1,767,940
Special	226,156	77,951			304,107
Vocational	129,190	12,000		1,054	142,244
Other	16,097				16,097
Support Services:					
Pupils	125,582	59,370		33,246	218,198
Instruction	223,925	55,132			279,057
Board of Education	5,843				5,843
Administration	355,891	10,000			365,891
Fiscal	111,068	413	5,763	1,470	118,714
Operation and Maintenance	288,973	1,461		13,678	304,112
Transportation	121,142	7,498		13,370	142,010
Central Services	2,356	6,650			9,006
Noninstructional Services		5,649			5,649
Extracurricular Activities	122,076	60,066			182,142
Capital Outlay		11,147		7,813	18,960
Debt Service			261,659		261,659
<b>Total Cash Disbursements</b>	<u>3,423,014</u>	<u>365,321</u>	<u>267,422</u>	<u>85,872</u>	<u>4,141,629</u>
Cash Receipts Over (Under)					
Cash Disbursements	27,157	(22,021)	47,926	9,795	62,857
<b>Other Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	5,684				5,684
Advances-In	380				380
Refund of Prior Year Expenditures	26,698				26,698
Advances-Out				(380)	(380)
<b>Total Other Sources (Uses)</b>	<u>32,762</u>			<u>(380)</u>	<u>32,382</u>
Cash Receipts and Other Sources Over (Under)					
Cash Disbursements and Other Uses	59,919	(22,021)	47,926	9,415	95,239
Fund Cash Balances at Beginning of Year	<u>930,405</u>	<u>159,873</u>	<u>537,417</u>	<u>88,516</u>	<u>1,716,211</u>
<b>Fund Cash Balances at End of Year</b>	<u>\$990,324</u>	<u>\$137,852</u>	<u>\$585,343</u>	<u>\$97,931</u>	<u>\$1,811,450</u>

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

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Type	Fiduciary Funds		Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	Agency	
<b>Operating Cash Receipts</b>				
Food Services	\$114,703			\$114,703
Extracurricular Activities			\$87,686	87,686
Earnings on Investments		\$1,227		1,227
<b>Total Operating Cash Receipts</b>	<b>114,703</b>	<b>1,227</b>	<b>87,686</b>	<b>203,616</b>
<b>Operating Cash Disbursements</b>				
Salaries	51,935			51,935
Fringe Benefits	17,588			17,588
Purchased Services	3,154			3,154
Materials and Supplies	65,844			65,844
Other Objects		750	95,121	95,871
<b>Total Operating Cash Disbursements</b>	<b>138,521</b>	<b>750</b>	<b>95,121</b>	<b>234,392</b>
Operating Cash Receipts Over(Under) Operating Cash Disbursements	(23,818)	477	(7,435)	(30,776)
<b>Non-Operating Receipts</b>				
Miscellaneous			2,802	2,802
Interest	225			225
Federal and State Subsidies	27,249			27,249
<b>Total Non-Operating Receipts</b>	<b>27,474</b>		<b>2,802</b>	<b>30,276</b>
Operating and Nonoperating Cash Receipts Over(Under) Operating Cash Disbursements	3,656	477	(4,633)	(500)
Fund Cash Balance at Beginning of Year	32,538	63,373	39,188	135,099
<b>Fund Cash Balance at End of Year</b>	<b>\$36,194</b>	<b>\$63,850</b>	<b>\$34,555</b>	<b>\$134,599</b>

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



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<b>Fund Types/Fund</b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b>Variance Favorable/ (Unfavorable)</b>
<b>Governmental:</b>			
General Fund	\$3,210,724	\$3,482,553	\$271,829
Special Revenue Funds	269,458	343,300	73,842
Debt Service Funds	309,477	315,348	5,871
Capital Project Funds	114,735	95,667	(19,068)
<b>Proprietary:</b>			
Enterprise Funds	155,000	142,177	(12,823)
<b>Fiduciary:</b>			
Nonexpendable Trust Funds	<u>1,050</u>	<u>1,227</u>	<u>177</u>
Total (Memorandum Only)	<u><u>\$4,060,444</u></u>	<u><u>\$4,380,272</u></u>	<u><u>\$319,828</u></u>

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

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED JUNE 30, 2003**

<b>Fund Types/Fund</b>	<b>Prior Year Carryover Appropriations</b>	<b>2003 Appropriations</b>	<b>Total</b>
<b>Governmental:</b>			
General Fund	\$18,398	\$4,122,732	\$4,141,130
Special Revenue Funds	47,276	397,081	444,357
Debt Service Funds		846,893	846,893
Capital Project Funds	29,429	173,822	203,251
<b>Proprietary:</b>			
Enterprise Funds	95	187,443	187,538
<b>Fiduciary:</b>			
Nonexpendable Trust Funds		2,715	2,715
<b>Total (Memorandum Only)</b>	<b>\$95,198</b>	<b>\$5,730,686</b>	<b>\$5,825,884</b>

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

<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding At 6/30/03</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$3,423,014	\$22,162	\$3,445,176	\$695,954
365,321	42,876	408,197	36,160
267,422		267,422	579,471
85,872	29,755	115,627	87,624
138,521	250	138,771	48,767
750		750	1,965
<u>\$4,280,900</u>	<u>\$95,043</u>	<u>\$4,375,943</u>	<u>\$1,449,941</u>

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**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

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

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

The School District is located in Shelby County. The School District is staffed by 25 non-certificated employees, 40 certificated full-time teaching personnel and 3 administrative employees who provide services to 592 students and other community members. The School District currently operates one instructional/support building.

**A. Reporting Entity:**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 11 to the general purpose financial statements. These organizations are:

**Jointly Governed Organizations:**

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

**Insurance Purchasing Pools:**

- Ohio School Boards Association Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium
- Ohio School Insurance Program

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

As required by Ohio Administrative Code Section 117-2-03 (B), the District prepared and filed its annual financial report in accordance with generally accepted accounting principles. However, the District chooses to prepare (for audit purposes) its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

**1. Governmental Fund Types:**

**General Fund** - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required by law to be accounted for in another fund.

**Special Revenue Funds** - The special revenue funds are used to account for the proceeds of specific revenue sources (other than non expendable trusts, or capital projects) that are legally restricted to disbursements for specified purposes.

**Debt Service Fund** - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

**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 the enterprise fund or the trust fund).

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

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

**2. Proprietary Fund Type:**

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

**Enterprise Fund** - The enterprise fund is 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 of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include nonexpendable trust and agency funds.

**C. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

**2. Estimated Resources**

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2002, unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4. Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. 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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**D. Cash and Investments**

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District accounting records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

**E. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**F. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. DEPOSITS AND INVESTMENTS**

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

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



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain banker's 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.
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

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

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

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

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

At June 30, 2003, the School District had \$9,729 in cash reported in the special revenue funds that is held by the Shelby County Educational Service Center, which is the fiscal agent for several School Districts. Since the monies are commingled, they cannot be classified by risk individually under GASB Statement No. 3. The risk classifications for the Shelby County Educational Service Center as a whole can be obtained by writing to Cathy Doseck, who serves as Treasurer, at 129 East Court Street, Sidney, Ohio 45365.

**Deposits:** At fiscal year-end, the carrying amount of the School District's deposits was \$438,131 and the bank balance was \$577,944. Of the bank balance, \$297,944 was covered by federal depository insurance and \$280,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had a repurchase agreement at fiscal year-end, which is a Category 3 investment, with a carrying and fair value of \$1,498,189.

**4. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

**4. PROPERTY TAXES (Continued)**

Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2003, on the value as of December 31, 2002.

Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Shelby and Auglaize Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	<b>2002 Second- Half Collections</b>		<b>2003 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$33,316,070	75.81%	\$33,703,790	75.89%
Public Utility – Real	34,740	0.08%	32,560	0.07%
Tangible Personal Property	<u>10,597,582</u>	<u>24.11%</u>	<u>10,674,955</u>	<u>24.04%</u>
Total Assessed Value	<u>\$43,948,392</u>	<u>100.00%</u>	<u>\$44,411,305</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.05		\$34.05	

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

**5. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District joined together with other School Districts in Ohio to participate in the Ohio School Insurance Program (OSIP), a public entity insurance purchasing pool (See Note 11). Each individual School District enters into an agreement with the OSIP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to Marsh Company, the local agent for the Selective Insurance Company of South Carolina.

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$1,000	\$17,356,155
Inland Marine Coverage (\$1,000 deductible)	Actual
Money and Securities (\$1,000 deductible)	7,500
Automobile Liability (\$500 deductible)	2,000,000
Uninsured/Underinsured Motorists (\$500 deductible)	1,000,000
Comprehensive Liability:	
Per Occurrence	2,000,000
Aggregate	4,000,000
General Liability Umbrella Policy	2,000,000
Crime/Employer Dishonesty (\$500 deductible)	25,000
Education General Liability:	
Each Occurrence	2,000,000
Medical Expense-Any One Person/Each Accident	5,000
General Aggregate Limit	4,000,000
Employee Benefits Liability (\$1,000 deductible):	
Each Offense	2,000,000
Aggregate Limit	4,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Errors and Omissions Liability (\$5,000 deductible):	
Per Occurrence	1,000,000
Aggregate Limit	1,000,000

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

**B. Workers' Compensation**

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 11). 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.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

**5. RISK MANAGEMENT (Continued)**

The workers' compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the GRP.

**6. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$38,378, \$26,028, and \$12,417, respectively; 54 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

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

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

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

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

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

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$271,522, \$176,064, and \$183,441, respectively; 82 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$3,549 made by the School District and \$3,144 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2003, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board member contributes to SERS.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

**7. POST-EMPLOYMENT BENEFITS**

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

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

For the fiscal year ended June 30, 2002, the STRS Ohio Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$20,886 for fiscal year 2003.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500.

For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$38,411.

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, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

**8. OTHER EMPLOYEE BENEFITS**

**A. Deferred Compensation Plan**

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

**B. Insurance Benefits**

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

**9. CAPITAL LEASES - LESSEE DISCLOSURE**

In prior fiscal years, the School District entered into a capitalized lease for computer equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2003.

<b>Fiscal Year Ending June 30,</b>	<b>Payments</b>
2004	\$4,737
2005	1,579
Total	6,316
Less: Amount Representing Interest	(193)
Present Value of Net Minimum Lease Payments	\$6,123

**10. DEBT OBLIGATIONS**

**A. Debt Obligations**

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

	<b>Principal Outstanding 6/30/02</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/03</b>
Gym Addition Bond 1990 5.8 – 7.2%	\$1,140,000	\$0	\$115,000	\$1,025,000
Building Assistance Bond 1995 5.1 – 6.85%	505,000	0	35,000	470,000
Total Debt Obligations	\$1,645,000	0	\$150,000	\$1,495,000



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

**10. DEBT OBLIGATIONS (Continued)**

**Botkins Gym Addition General Obligation Bond - Series B** - On March 1, 1990, Botkins Local School District issued \$650,000 in voted general obligation bonds for the purpose of a gym addition. The bond was issued for a twenty year period with final maturity in December, 2009. The bond will be retired from the Bond Retirement Debt Service Fund.

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

The School District's overall legal debt margin was \$3,104,823, with an unvoted debt margin of \$44,411 at June 30, 2003.

**B. Future Debt Requirements**

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$155,000	\$101,134	\$256,134
2005	165,000	90,034	255,034
2006	170,000	77,895	247,895
2007	180,000	64,735	244,735
2008	185,000	51,443	236,443
2009-2013	490,000	101,842	591,842
2014-2018	150,000	25,688	175,688
Total	<u>\$1,495,000</u>	<u>\$512,771</u>	<u>\$2,007,771</u>

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

**A. Jointly Governed Organizations**

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

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member School Districts within each county plus one representative from the fiscal agent. Payments to WOCO are made from the General Fund. During fiscal year 2003, the School District paid \$19,558 to WOCO. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

**11. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(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 purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2003, the School District paid \$542 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2003, the School District paid \$1,419 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**B. Insurance Purchasing Pools**

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

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

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

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

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

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

**12. STATUTORY RESERVES**

The School District is required by law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2003, the reserve activity was as follows:

	<b>Textbooks</b>	<b>Capital Improvements</b>
Set-Aside Cash Balance as of June 30, 2002	\$393	\$(57,420)
Required Set-Aside	82,067	82,067
Qualifying Offsets	<u>(85,145)</u>	<u>(95,054)</u>
Excess Expenditures Available for Carry-over to Subsequent Year	<u>\$(2,685)</u>	<u>\$(70,407)</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may be used to reduce the set-aside requirements of future years.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

**13. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**B. Litigation**

The District is of the opinion that any current or future claims will either result in a favorable outcome or be covered by current insurance policies, so as not to materially affect the overall financial position of the District.

**14. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts</b>					
Taxes	\$873,696	\$20,611	\$313,342	\$73,337	\$1,280,986
Tuition	212,914				212,914
Intergovernmental	2,213,451	319,502	32,644	32,481	2,598,078
Interest	30,517	2,246			32,763
Extracurricular Activities		129,238		4,910	134,148
Classroom Materials & Fees	35,433				35,433
Miscellaneous	135,021	4,199			139,220
<b>Total Cash Receipts</b>	<b>3,501,032</b>	<b>475,796</b>	<b>345,986</b>	<b>110,728</b>	<b>4,433,542</b>
<b>Cash Disbursements</b>					
Current:					
Instruction:					
Regular	1,608,781	234,047		1,859	1,844,687
Special	258,486	41,265			299,751
Vocational	126,115			4,501	130,616
Other	17,037				17,037
Support Services:					
Pupils	117,345	52,515		9,112	178,972
Instruction	212,488	28,958		53,445	294,891
Board of Education	12,307				12,307
Administration	298,278	5,000			303,278
Fiscal	114,303	386	5,810	1,364	121,863
Operation and Maintenance	262,420			6,890	269,310
Transportation	85,902	9,029			94,931
Central Services	1,717	2,939			4,656
Noninstructional Services		5,900			5,900
Extracurricular Activities	110,932	82,385			193,317
Capital Outlay		26,920		5,223	32,143
Debt Service:			261,609		261,609
<b>Total Cash Disbursements</b>	<b>3,226,111</b>	<b>489,344</b>	<b>267,419</b>	<b>82,394</b>	<b>4,065,268</b>
Cash Receipts Over (Under)					
Cash Disbursements	274,921	(13,548)	78,567	28,334	368,274
<b>Other Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	1,785				1,785
Transfers-In		10,000			10,000
Advances-In	990			1,500	2,490
Refund of Prior Year Expenditures	5,254				5,254
Transfers-Out	(10,000)				(10,000)
Advances-Out	(1,500)			(990)	(2,490)
<b>Total Other Sources (Uses)</b>	<b>(3,471)</b>	<b>10,000</b>		<b>510</b>	<b>7,039</b>
Cash Receipts and Other Sources Over (Under)					
Cash Disbursements and Other Uses	271,450	(3,548)	78,567	28,844	375,313
Fund Cash Balances at Beginning of Year					
Restated - See Note 3	658,955	163,421	458,850	59,672	1,340,898
<b>Fund Cash Balances at End of Year</b>	<b>\$930,405</b>	<b>\$159,873</b>	<b>\$537,417</b>	<b>\$88,516</b>	<b>\$1,716,211</b>

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

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Type	Fiduciary Funds		Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	Agency	
<b>Operating Cash Receipts</b>				
Food Services	\$117,112			\$117,112
Extracurricular Activities			\$87,881	87,881
Earnings on Investments		\$388		388
Miscellaneous		50,525		50,525
<b>Total Operating Cash Receipts</b>	<b>117,112</b>	<b>50,913</b>	<b>87,881</b>	<b>255,906</b>
<b>Operating Cash Disbursements</b>				
Salaries	50,175			50,175
Fringe Benefits	15,842			15,842
Purchased Services	3,714			3,714
Materials and Supplies	69,167			69,167
Other Objects		700	85,600	86,300
<b>Total Operating Cash Disbursements</b>	<b>138,898</b>	<b>700</b>	<b>85,600</b>	<b>225,198</b>
Operating Cash Receipts Over(Under) Operating Cash Disbursements	(21,786)	50,213	2,281	30,708
<b>Non-Operating Receipts</b>				
Miscellaneous			1,847	1,847
Interest	509		100	609
Federal and State Subsidies	23,898			23,898
<b>Total Non-Operating Receipts</b>	<b>24,407</b>		<b>1,947</b>	<b>26,354</b>
Operating and Nonoperating Cash Receipts Over(Under) Operating Cash Disbursements	2,621	50,213	4,228	57,062
Fund Cash Balance at Beginning of Year Restated - See Note 3	29,917	13,160	34,960	78,037
<b>Fund Cash Balance at End of Year</b>	<b>\$32,538</b>	<b>\$63,373</b>	<b>\$39,188</b>	<b>\$135,099</b>

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

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

<b>Fund Types/Fund</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable/ (Unfavorable)</b>
<b>Governmental:</b>			
General Fund	\$3,416,339	\$3,508,071	\$91,732
Special Revenue Funds	433,985	485,796	51,811
Debt Service Funds	366,669	345,986	(20,683)
Capital Project Funds	135,997	110,728	(25,269)
<b>Proprietary:</b>			
Enterprise Funds	152,000	141,519	(10,481)
<b>Fiduciary:</b>			
Nonexpendable Trust Funds	50,900	50,913	13
<b>Total (Memorandum Only)</b>	<b><u>\$4,555,890</u></b>	<b><u>\$4,643,013</u></b>	<b><u>\$87,123</u></b>

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

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED JUNE 30, 2002**

Fund Types/Fund	Prior Year Carryover <u>Appropriations</u>	2002 <u>Appropriations</u>	<u>Total</u>
<b>Governmental:</b>			
General Fund	\$52,230	\$3,839,773	\$3,892,003
Special Revenue Funds	25,894	575,403	601,297
Debt Service Funds		825,519	825,519
Capital Project Funds	14,575	183,095	197,670
<b>Proprietary:</b>			
Enterprise Funds	95	181,822	181,917
<b>Fiduciary:</b>			
Nonexpendable Trust Funds		<u>2,352</u>	<u>2,352</u>
Total (Memorandum Only)	<u>\$92,794</u>	<u>\$5,607,964</u>	<u>\$5,700,758</u>

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



<u>Actual 2002 Disbursements</u>	<u>Encumbrances Outstanding At 6/30/02</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$3,236,111	\$18,398	\$3,254,509	\$637,494
489,344	47,276	536,620	64,677
267,419		267,419	558,100
82,394	29,429	111,823	85,847
138,898	95	138,993	42,924
700		700	1,652
<u>\$4,214,866</u>	<u>\$95,198</u>	<u>\$4,310,064</u>	<u>\$1,390,694</u>

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**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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

The School District is located in Shelby County. The School District is staffed by 25 non-certificated employees, 42 certificated full-time teaching personnel and 3 administrative employees who provide services to 610 students and other community members. The School District currently operates one instructional/support building.

**A. Reporting Entity:**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Note 12 to the general purpose financial statements. These organizations are:

**Jointly Governed Organizations:**

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

**Insurance Purchasing Pools:**

- Ohio School Boards Association Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

As required by Ohio Administrative Code Section 117-2-03 (B), the District prepared and filed its annual financial report in accordance with generally accepted accounting principles. However, the District chooses to prepare (for audit purposes) its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

**1. Governmental Fund Types:**

**General Fund** - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required by law to be accounted for in another fund.

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

**Debt Service Fund** - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

**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 the enterprise fund or the trust fund).

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**2. Proprietary Fund Type:**

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

**Enterprise Fund** - The enterprise fund is 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 of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include nonexpendable trust and agency funds.

**C. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

**2. Estimated Resources**

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2001 unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**4. Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. 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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**D. Cash and Investments**

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District accounting records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

**E. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**F. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

For fiscal year 2002, the District changed its method of accounting for financial reporting from accounting principles generally accepted in the United States of America to a basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

This change had the following effect on fund balances as previously reported:

	<b>Fund Balance/ Retained Earnings June 30, 2002</b>	<b>Accrual Adjustment</b>	<b>Restated Fund Balance July 1, 2002</b>
General	\$ 388,424	\$ 270,531	\$ 658,955
Special Revenue	136,410	27,011	163,421
Debt Service	476,654	(17,804)	458,850
Capital Projects	26,075	33,597	59,672
Enterprise	11,517	18,400	29,917
Nonexpendable	13,295	(135)	13,160
Agency	(955)	35,915	34,960

**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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

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

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain banker's 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.
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

At June 30, 2002, the School District had \$4,075 in cash reported in the special revenue funds that is held by the Shelby County Educational Service Center, which is the fiscal agent for several School Districts. Since the monies are commingled, they cannot be classified by risk individually under GASB Statement No. 3. The risk classifications for the Shelby County Educational Service Center as a whole can be obtained by writing to Cathy Doseck, who serves as Treasurer, at 129 East Court Street, Sidney, Ohio 45365.



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**Deposits:** At fiscal year-end, the carrying amount of the School District's deposits was \$507,569 and the bank balance was \$574,247. Of the bank balance, \$194,247 was covered by federal depository insurance and \$380,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had a repurchase agreement at fiscal year-end, which is a Category 3 investment, with a carrying and fair value of \$1,339,666.

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2002 represents collections of calendar year 2001 taxes. Real property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed value listed as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenue received during calendar 2002 (other than public utility property) represents the collection of 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2002, on the value as of December 31, 2001.

Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**5. PROPERTY TAXES (Continued)**

Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Shelby and Auglaize Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The decrease in the tax rate of 1.3 mills in the Bond Retirement Debt Service Fund was due to a levy that dropped off. The assessed values upon which fiscal year 2002 taxes were collected are:

	<u>2001 Second- Half Collections</u>		<u>2002 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$33,335,030	74.50%	\$33,316,070	75.81%
Public Utility - Real	46,670	0.10%	34,740	0.08%
Tangible Personal Property	11,364,872	25.40%	10,597,582	24.11%
Total Assessed Value	<u>\$44,746,572</u>	<u>100.00%</u>	<u>\$43,948,392</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.65		\$35.35	

**6. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Nationwide Insurance for property and fleet insurance, liability, and inland marine coverage. Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$500 deductible)	\$16,921,000
Inland Marine Coverage	250,000
Automobile Liability	2,000,000
Uninsured Motorists	2,000,000
Comprehensive Liability	
Per occurrence	1,000,000
Aggregate	3,000,000
General Liability Umbrella Policy	1,000,000

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

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**6. RISK MANAGEMENT**

**B. Workers' Compensation**

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the GRP.

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 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, 2002, 2001, and 2000 were \$26,028, \$12,417, and \$13,514, respectively; 49 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**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 and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by State statute per 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 43215-3371.

For the fiscal year ended June 30, 2002, 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. 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, 2002, 2001, and 2000 were \$176,064, \$183,441, and \$103,935, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board member contributes to SERS.

**8. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (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 on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio 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, 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District, this amount equaled \$83,399 for fiscal year 2002.

At June 30, 2002, the balance in the Fund was \$3.011 billion. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**8. 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.

At June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. 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 2002, the minimum pay was established at \$12,400.

For the School District, the amount to fund health care equaled \$48,256. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777. At June 30, 2002 SERS had net assets available for payment of healthcare benefits of \$335.2 million.

**9. OTHER EMPLOYEE BENEFITS**

**A. Insurance Benefits**

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

**10. CAPITAL LEASES – LESSEE DISCLOSURE**

During fiscal year 2002, the School District entered into a capitalized lease. The terms of this agreement provide options to purchase the computer equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The new capital lease is reflected in the accounts, "capital outlay" and "inception of capital lease" in the fund making the lease payment.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	Payments
2003	\$4,737
2004	4,737
2005	1,579
Total	11,053
Less: Amount Representing Interest	(631)
Present Value of Net Minimum Lease Payments	\$10,422

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**11. DEBT OBLIGATIONS**

**A. Debt Obligations**

The changes in the School District's debt obligations during fiscal year 2002 were as follows:

	<u>Principal Outstanding 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/02</u>
Gym Addition Bond 1990 5.8 – 7.2%	\$1,245,000	\$0	\$105,000	\$1,140,000
Building Assistance Bond 1995 5.1 – 6.85%	540,000	0	35,000	505,000
Total Debt Obligations	<u>\$1,785,000</u>	<u>\$0</u>	<u>\$140,000</u>	<u>\$1,645,000</u>

**Botkins Gym Addition General Obligation Bond - Series B** - On March 1, 1990, Botkins Local School District issued \$650,000 in voted general obligation bonds for the purpose of a gym addition. The bond was issued for a twenty year period with final maturity in December, 2009. The bond will be retired from the Bond Retirement Debt Service Fund.

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

The School District's overall legal debt margin was \$2,860,692, with an unvoted debt margin of \$43,948 at June 30, 2002.

**B. Future Debt Requirements**

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$150,000	\$111,659	\$261,659
2004	155,000	101,134	256,134
2005	165,000	90,034	255,034
2006	170,000	77,895	247,895
2007	180,000	64,735	244,735
2008-2012	645,000	141,985	786,985
2013-2017	150,000	35,965	185,965
2018	30,000	1,028	31,028
Total	<u>\$1,645,000</u>	<u>\$624,435</u>	<u>\$2,269,435</u>

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**A. Jointly Governed Organizations**

**Western Ohio Computer Organization** - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Payments to WOCO are made from the General Fund. During fiscal year 2002, the School District paid \$16,594 to WOCO. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2002, the School District paid \$547 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2002, the School District paid \$2,383 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**B. Insurance Purchasing Pools**

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

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

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

**13. STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Cash Balance as of June 30, 2001	\$10,484	\$(35,173)	\$16,713
Required Set-Aside	73,845	73,845	
Transfer to School Bus Purchases			(16,713)
Qualifying Offsets	(83,936)	(96,092)	-
Excess Expenditures Available for Carry-over to Subsequent Year	<u>\$393</u>	<u>\$(57,420)</u>	

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may be used to reduce the set-aside requirements of future years.



**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**14. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Balance at 6/30/02</u>
Eck Refrigeration	Air Conditioning Unit	\$8,500
Yes Learning Computer	Computer Equipment	11,772
Farnham Company	Desks	5,975
Totals		<u>\$26,247</u>

**15. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**B. Litigation**

The District is of the opinion that any current or future claims will either result in a favorable outcome or be covered by current insurance policies, so as not to materially affect the overall financial position of the District.

**16. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

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## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of Botkins Local School District, Shelby County, (the District), as of and for the years ended June 30, 2003 and 2002 and have issued our report thereon dated December 18, 2003, which noted the District reported its financial statements on a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 18, 2003.

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

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 18, 2003.

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

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

**Betty Montgomery**  
Auditor of State

December 18, 2003

**BOTKINS LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2001-10375-01	ORC 5705.13(B) – Establishing the Severance Fund as a Special Revenue Fund	Yes	

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**Auditor of State  
Betty Montgomery**

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**BOTKINS LOCAL SCHOOL DISTRICT**

**SHELBY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 27, 2004**