



Dave Yost • Auditor of State

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Botkins Local School District, Shelby County, (the School District), as of and for the years ended June 30, 2011 and 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Botkins Local School District, Shelby County, as of June 30, 2011 and 2010, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2011, the School District revised its financial presentation comparable to the requirements of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



Dave Yost
Auditor of State

November 30, 2011

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

This discussion and analysis of the Botkins Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2011 are as follows:

- Net assets of governmental activities increased \$930,594, which is a 49 percent increase from 2010.
- The School District's general receipts are primarily property and income taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 26.7 and 40.5 percent of the total cash received for governmental activities during the fiscal year.
- During fiscal year 2009, the School District began collections on a voted income tax of 1.25 percent. During fiscal year 2011, \$608,597 was received for income taxes, an increase of \$176,656 from 2010.
- During fiscal year 2011, the School District made \$53,076 in principal payments on its outstanding debt. The School District has \$210,000 building assistance bond outstanding and \$31,921 on a bus loan outstanding. The final balances on the debt will be paid off in fiscal year 2018.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

Reporting the School District's Most Significant Funds

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

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and the Bond Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2011 compared to fiscal year 2010 on a cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2010 (Restated)	2011
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$1,891,747	\$2,822,341
Net Assets:		
Restricted for:		
Capital Outlay	98,687	109,267
Debt Service	421,513	415,405
Other Purposes	100,007	120,580
Set-asides	105,448	140,311
Bus Purchases	4,033	4,032
Unrestricted	1,162,059	2,032,746
Total Net Assets	\$1,891,747	\$2,822,341

As mentioned previously, net assets of governmental activities increased \$930,594 or 49 percent during fiscal year 2011. The School District paid off its 1990 School Improvement Bond during fiscal year 2010. The set-aside for textbooks and instructional materials increased during fiscal year 2011, as the School District did not spend enough to cover the current year requirement. Unrestricted net assets increased as a result of increased revenue for open enrollment and income taxes.

Table 2 reflects the changes in net assets for fiscal year 2011 compared to fiscal year 2010.

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

	Governmental Activities 2010 (Restated)	Governmental Activities 2011
Receipts:		
Program Receipts:		
Charges for Services	\$1,157,834	\$1,403,723
Operating Grants and Contributions	596,847	510,379
Capital Grants and Contributions		
Total Program Receipts	1,754,681	1,914,102
General Receipts:		
Property Taxes	958,527	963,465
Income Taxes	431,941	608,597
Grants and Entitlements Not Restricted to Specific Programs	2,404,936	2,384,810
Note Issued	70,000	
All Other	17,310	18,699
Total General Receipts	3,882,714	3,975,571
Total Receipts	5,637,395	5,889,673

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**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

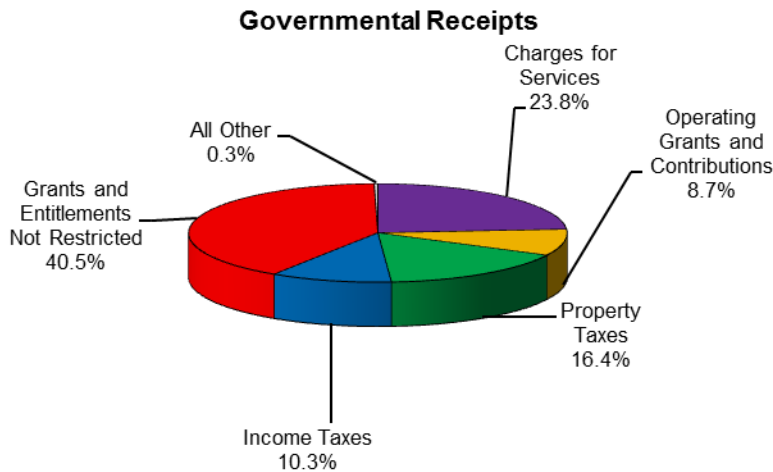
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Disbursements:		
Instruction	2,802,021	2,824,665
Support Services:		
Pupils and Instructional Staff	454,580	448,174
Board of Education, Administration, and Fiscal	745,484	617,874
Operation and Maintenance of Plant	355,791	366,523
Pupil Transportation	186,113	143,702
Central	17,292	15,530
Operation of Non-Instructional Services	188,954	203,110
Extracurricular Activities	247,737	242,644
Capital Outlay	25,569	26,929
Debt Service	245,111	69,928
Total Disbursements	<u>5,268,652</u>	<u>4,959,079</u>
Increase (Decrease) in Net Assets	368,743	930,594
Net Assets, Beginning of Year	1,523,004	1,891,747
Net Assets, End of Year	<u>\$1,891,747</u>	<u>\$2,822,341</u>

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. Property taxes make up 16.4% of receipts. Property taxes decreased due to the reduction of assessment rates of tangible personal property. Effective January 1, 2009, the School District began collections on a voted income tax of 1.25 percent which contributed to an increase in income taxes, up 41% from 2010. Grants and entitlements not restricted, the School District's largest source of receipts, consists largely of state foundation monies.

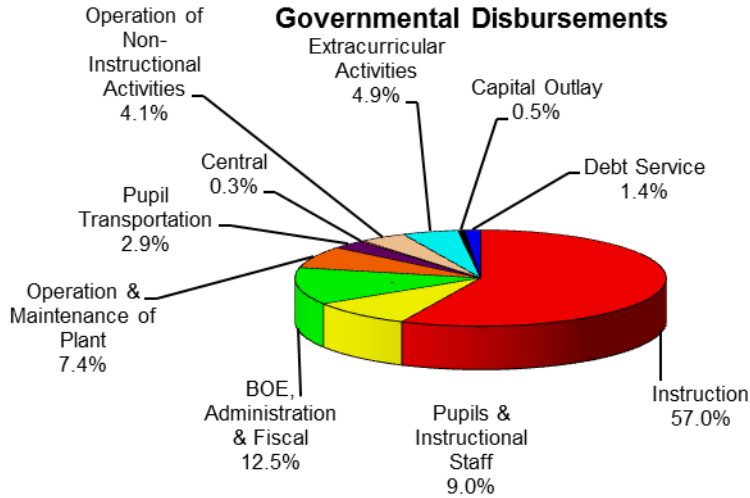
Disbursements decreased 6% for fiscal year 2011. This was mainly due to the 1990 School Improvement Bond being paid off during fiscal year 2010. Debt service disbursements decreased \$175,183 or 71% for fiscal year 2011.



**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Instruction comprises 57% of the School District's disbursements. Support services make up 32.1% of disbursements.



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

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

**(Table 3)
Governmental Activities**

	Total Cost Of Services 2010	Net Cost of Services 2010	Total Cost Of Services 2011	Net Cost of Services 2011
Instruction	\$2,802,021	(\$1,620,899)	\$2,824,665	(\$1,492,978)
Support Services:				
Pupils and Instructional Staff	454,580	(394,180)	448,174	(355,039)
Board of Education, Administration and Fiscal	745,484	(656,655)	617,874	(591,956)
Operation and Maintenance of Plant	355,791	(242,776)	366,523	(236,968)
Pupil Transportation	186,113	(153,178)	143,702	(102,770)
Central	17,292	(12,292)	15,530	(10,530)
Operation of Non-Instructional Services	188,954	12,220	203,110	6,196
Extracurricular Activities	247,737	(179,609)	242,644	(166,754)
Capital Outlay	25,569	(21,492)	26,929	(24,250)
Debt Service	245,111	(245,111)	69,928	(69,928)
Total Disbursements	\$5,268,652	(\$3,513,972)	\$4,959,079	(\$3,044,977)

The dependence upon property tax receipts and grants and entitlements not restricted to specific programs is apparent as over 61 percent of governmental activities are supported through these general receipts. Operation of non-instructional activities, the only program that did not rely on general fund revenues consists of disbursements for the food service program.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The School District's Funds

Total governmental funds had receipts of \$5,881,323 and disbursements of \$4,959,079. The General Fund contributed to the increase in fund balances. The increase in income tax receipts attributed to the General Fund balance increase along with an increase in open enrollment revenues.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the School District amended its General Fund budget to reflect changing circumstances. During fiscal year 2011, estimated receipts remained the same throughout the fiscal year.

The School District closely monitored expenditures; enabling the School District to spend \$1,601,412 less than what was appropriated. The Administration and Board of Education have made additional dollars available in many categories in order to facilitate the needs of the School District as they arise. With the School District's tight internal controls, additional monies are appropriated in order to allow those individuals in charge to be creative in their educational needs. The School District has a basic belief that it should be prepared to operate in the best manner to meet the needs of those who are being educated. In order to do so, appropriations are made in excess of minimum required funds to allow for variances in individual programs that are beneficial to the student body, yet economically sound. The School District has historically held conservative ways of spending dollars so that needs can be met with the interest of the taxpayer in mind.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At June 30, 2011, the School District's outstanding debt included \$210,000 in general obligation bonds and issued for improvements to buildings and structures. At June 30, 2011, the balance on the bus loan was \$31,921. For further information regarding the School District's debt, refer to Notes 10 to the basic financial statements.

Current Issues

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

The School District has closely monitored its operating expenditures. On November 4, 2008, the School District voters approved a 1.25% income tax beginning January 1, 2009. The collection of this tax will help the School District's financial situation. Prior to the passage of the income tax, the School District's last operating levy was 24 years ago. In addition, the School District voters approved a replacement levy for permanent improvements on May 5, 2009. This levy is for 5 years.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

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

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

Contacting the School District's Financial Management

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

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**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$2,822,341</u></u>
Net Assets:	
Restricted for:	
Capital Outlay	\$109,267
Debt Service	415,405
Other Purposes	120,580
Set-Asides	140,311
Bus Purchases	4,032
Unrestricted	<u>2,032,746</u>
Total Net Assets	<u><u>\$2,822,341</u></u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Program Cash Receipts</u>			Net (Disbursements) Receipts and Changes in Net Assets
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$2,166,069	\$1,127,707	\$35,097	(\$1,003,265)
Special	469,906	2,569	139,068	(328,269)
Vocational	153,566		23,725	(129,841)
Student Intervention Services	11,562		2,074	(9,488)
Other	23,562		1,447	(22,115)
Support Services:				
Pupil	164,702	28,161	14,354	(122,187)
Instructional Staff	283,472		50,620	(232,852)
Board of Education	10,597			(10,597)
Administration	419,712		2,088	(417,624)
Fiscal	187,565	5,090	18,740	(163,735)
Operation and Maintenance of Plant	366,523	18,081	111,474	(236,968)
Pupil Transportation	143,702	663	40,269	(102,770)
Central	15,530		5,000	(10,530)
Operation of Non-Instructional Services	203,110	146,515	62,791	6,196
Extracurricular Activities	242,644	74,937	953	(166,754)
Capital Outlay	26,929		2,679	(24,250)
Principal Retirement	53,076			(53,076)
Interest and Fiscal Charges	16,852			(16,852)
Total Governmental Activities	<u><u>\$4,959,079</u></u>	<u><u>\$1,403,723</u></u>	<u><u>\$510,379</u></u>	<u><u>(3,044,977)</u></u>
General Receipts:				
Property Taxes Levied for:				
General Purposes				847,132
Capital Outlay				83,305
Debt Service				14,925
Other Purposes				18,103
Income Taxes Levied for General Purposes				608,597
Grants and Entitlements not Restricted to Specific Programs				2,384,810
Gifts and Donations not Restricted to Specific Programs				1,216
Interest				5,438
Miscellaneous				12,045
Total General Receipts				<u><u>3,975,571</u></u>
Change in Net Assets				930,594
Net Assets Beginning of Year - Restated (Note 17)				<u><u>1,891,747</u></u>
Net Assets End of Year				<u><u>\$2,822,341</u></u>

See accompanying notes to the basic financial statements.

**BORKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,032,746	\$415,405	\$229,847	\$2,677,998
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	144,343			144,343
Total Assets	<u>\$2,177,089</u>	<u>\$415,405</u>	<u>\$229,847</u>	<u>\$2,822,341</u>
Fund Balances:				
Restricted	\$144,343	\$415,405	\$229,847	\$789,595
Committed	63,662			63,662
Assigned	1,031,635			1,031,635
Unassigned	937,449			937,449
Total Fund Balances	<u>\$2,177,089</u>	<u>\$415,405</u>	<u>\$229,847</u>	<u>\$2,822,341</u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property Taxes	\$847,132	\$14,925	\$101,408	\$963,465
Income Taxes	608,597			608,597
Intergovernmental	2,350,836	24,858	502,320	2,878,014
Interest	5,438		52	5,490
Tuition and Fees	1,130,276			1,130,276
Rentals	7,128		2,750	9,878
Extracurricular Activities	28,160		81,418	109,578
Contributions and Donations	5,540		10,998	16,538
Charges for Services			146,515	146,515
Miscellaneous	11,508		1,464	12,972
Total Receipts	<u>4,994,615</u>	<u>39,783</u>	<u>846,925</u>	<u>5,881,323</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,128,727		37,342	2,166,069
Special	330,837		139,069	469,906
Vocational	149,566		4,000	153,566
Student Intervention Services	9,488		2,074	11,562
Other	22,115		1,447	23,562
Support Services:				
Pupil	138,273		26,429	164,702
Instructional Staff	225,942		57,530	283,472
Board of Education	10,597			10,597
Administration	417,624		2,088	419,712
Fiscal	169,138	602	17,825	187,565
Operation and Maintenance of Plant	240,961		125,562	366,523
Pupil Transportation	90,578		53,124	143,702
Central	10,530		5,000	15,530
Operation of Non-Instructional Services			203,110	203,110
Extracurricular Activities	175,940		66,704	242,644
Capital Outlay			26,929	26,929
Debt Service:				
Principal Retirement		30,000	23,076	53,076
Interest and Fiscal Charges		15,413	1,439	16,852
Total Disbursements	<u>4,120,316</u>	<u>46,015</u>	<u>792,748</u>	<u>4,959,079</u>
Excess of Receipts Over (Under) Disbursements	<u>874,299</u>	<u>(6,232)</u>	<u>54,177</u>	<u>922,244</u>
Other Financing Sources (Uses):				
Sale of Fixed Assets	930			930
Refund of Prior Year Expenditures	6,437	124	859	7,420
Transfers In				
Transfers Out				
Advances In	5,000		5,000	10,000
Advances Out	(5,000)		(5,000)	(10,000)
Total Other Financing Sources (Uses)	<u>7,367</u>	<u>124</u>	<u>859</u>	<u>8,350</u>
Net Change in Fund Balances	881,666	(6,108)	55,036	930,594
Fund Balances Beginning of Year - Restated (Note 17)	<u>1,295,423</u>	<u>421,513</u>	<u>174,811</u>	<u>1,891,747</u>
Fund Balances End of Year	<u>\$2,177,089</u>	<u>\$415,405</u>	<u>\$229,847</u>	<u>\$2,822,341</u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts:				
Property Taxes	\$831,000	\$831,000	\$847,132	\$16,132
Income Taxes	510,000	510,000	608,597	98,597
Intergovernmental	2,302,567	2,302,567	2,350,836	48,269
Interest	6,000	6,000	5,438	(562)
Tuition and Fees	854,000	854,000	1,130,276	276,276
Rentals	5,000	5,000	7,128	2,128
Contributions and Donations	1,000	1,000	1,217	217
Miscellaneous	2,000	2,000	11,508	9,508
Total Receipts	<u>4,511,567</u>	<u>4,511,567</u>	<u>4,962,132</u>	<u>450,565</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,396,236	2,396,236	2,129,898	266,338
Special	407,134	407,134	330,837	76,297
Vocational	168,658	168,658	149,831	18,827
Student Intervention Services	18,650	18,650	9,488	9,162
Other	23,000	23,000	22,115	885
Support Services:				
Pupil	111,299	111,299	97,391	13,908
Instructional Staff	258,260	258,260	225,942	32,318
Board of Education	16,200	16,200	10,597	5,603
Administration	1,402,022	1,377,022	405,468	971,554
Fiscal	247,360	247,360	183,548	63,812
Operation and Maintenance of Plant	269,878	269,878	235,165	34,713
Pupil Transportation	128,533	153,533	90,578	62,955
Central	23,510	23,510	10,530	12,980
Extracurricular Activities	208,000	208,000	175,940	32,060
Total Disbursements	<u>5,678,740</u>	<u>5,678,740</u>	<u>4,077,328</u>	<u>1,601,412</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,167,173)</u>	<u>(1,167,173)</u>	<u>884,804</u>	<u>2,051,977</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets			930	930
Refund of Prior Year Expenditures			6,437	6,437
Transfers Out	(60,000)	(60,000)	(45,000)	15,000
Total Other Financing Sources (Uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(37,633)</u>	<u>22,367</u>
Net Change in Fund Balance	(1,227,173)	(1,227,173)	847,171	2,074,344
Fund Balance Beginning of Year	1,203,274	1,203,274	1,203,274	
Prior Year Encumbrances Appropriated	<u>24,083</u>	<u>24,083</u>	<u>24,083</u>	
Fund Balance End of Year	<u>\$184</u>	<u>\$184</u>	<u>\$2,074,528</u>	<u>\$2,074,344</u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$27,113	\$77,189
Net Assets:		
Held for Students		77,189
Held in Trust for Scholarships:		
Expendable	6,705	
Non-expendable	20,408	
Total Net Assets	\$27,113	\$77,189

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust</u>
Additions;	
Gifts and Contributions	\$5,701
Interest	1,471
Total Additions	<u>7,172</u>
Deductions:	
Scholarships	8,100
Other	51,739
Total Deductions	<u>59,839</u>
Change in Net Assets	(52,667)
Net Assets - Beginning of Year - Restated (Note 17)	<u>79,780</u>
Net Assets - End of Year	<u><u>\$27,113</u></u>

See accompanying notes to the basic financial statements.

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**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Botkins Local School District (The School District) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio, and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services mandated by the State and federal agencies.

The School District is located in Shelby County. The Board of Education controls the School District's instructional/support building which is staffed by 22 classified employees and 42 certificated full-time personnel who provide services to 583 students and other community members.

A. Reporting Entity

1. Primary Government

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

2. Component Units

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

The School District participates in three jointly governed organizations and three insurance purchasing pools. Note 14 to the basic financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided as either governmental or fiduciary.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

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

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

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

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

2. Fiduciary Funds

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

C. Basis of Accounting

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

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

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

E. Cash and Investments

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

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During fiscal year 2011, the School District did not have any investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2011 was \$5,438, which included \$1,559 assigned from other School District funds.

F. Restricted Assets

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-term Obligations

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

M. Net Assets

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

N. Fund Balance

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

O. Interfund Transactions

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. DEPOSITS AND INVESTMENTS

A. Investment Policies

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

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

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

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

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

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

B. Deposits

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

At fiscal year-end, the carrying amount of the School District's deposits was \$2,926,643. Cash balances per the bank were \$2,996,533. \$500,000 of the School District's deposits was insured by Federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$2,496,533 of the School District's bank balance of \$2,996,533 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

C. Investments

The School District did not have any investments at June 30, 2011.

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District.

Real property tax receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied against local inter-change telephone companies in the prior calendar year on assessed values as of December 31, of that calendar year, at tax rates determined in the preceding year. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The percentages for telecommunications were reduced from 5 percent for 2010 and zero percent for 2011.

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

The School District receives property taxes from Shelby and Auglaize Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$44,484,330	94.78 %	\$44,724,090	94.57 %
Public Utility Personal	2,413,620	5.14	2,567,740	5.43
Tangible Personal Property	35,760	.08		.00
Total	\$46,933,710	100.00 %	\$47,291,830	100.00 %
Tax rate per \$1,000 of assessed valuation	\$27.65		\$27.40	

5. INCOME TAXES

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

6. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District contracted with Arthur Gallagher Risk Management Services Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

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

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

B. Workers' Compensation

For fiscal year 2011, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates/McDonald provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2011, the School District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 14). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the Consortium.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent of annual covered salary. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$59,406, \$78,569, and \$48,547, respectively; 51.75 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**BOTKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations (according to the latest information available). Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$296,740, \$271,423, and \$308,303, respectively; 84.56 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$15,621 made by the School District and \$11,158 made by plan members.

8. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$3,823, \$4,672, and \$4,005; 51.75 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For fiscal year 2011, the surcharge amount was \$8,796.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$15,989, \$13,726, and \$32,553, respectively; 23.28 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$22,826, \$20,879, and \$23,716, respectively; 84.56 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**BOTKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

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

C. Deferred Compensation

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

10. LONG-TERM DEBT

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

	Amount Outstanding 6/30/2010	Additions	Deletions	Amount Outstanding 6/30/2011	Amount Due in One Year
Governmental Activities					
Building Assistance Bond 1995 5.1-6.85%	\$240,000		(\$30,000)	\$210,000	\$30,000
Bus Loan 2010 3.19%	54,997		(23,076)	31,921	23,845
Total Governmental Activities Long-Term Liabilities	<u>\$294,997</u>	<u>\$0</u>	<u>(\$53,076)</u>	<u>\$241,921</u>	<u>\$53,845</u>

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. LONG-TERM DEBT (Continued)

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

At June 30, 2011, the School District’s overall legal debt margin was \$4,429,750 with an un-voted debt margin of \$47,292.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Bus Loan		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 30,000	\$13,358	\$ 43,358	\$23,845	\$671	\$24,516
2013	30,000	11,303	41,303	8,076	53	8,129
2014	30,000	9,248	39,248			
2015	30,000	7,193	37,193			
2016	30,000	5,139	35,139			
2017-2018	60,000	4,110	64,110			
	<u>\$210,000</u>	<u>\$50,351</u>	<u>\$260,351</u>	<u>\$31,921</u>	<u>\$724</u>	<u>\$32,645</u>

11. FUND BALANCE

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

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

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Food Service Operations			\$ 44,364	\$ 44,364
Copeland Grants			1,134	1,134
Classroom Maintenance			41,908	41,908
Athletics			31,174	31,174
Education Management				
Information Systems			2,000	2,000
Capital Improvements			109,267	109,267
Debt Service		\$415,405		415,405
Textbooks and Instructional Materials	\$140,311			140,311
Bus Purchases	4,032			4,032
Total Restricted	<u>144,343</u>	<u>415,405</u>	<u>229,847</u>	<u>789,595</u>

(Continued)

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Committed to:				
Future Severance Payments	63,662			63,662
Assigned for:				
Unpaid Obligations	22,178			22,178
FY 12 Appropriations	993,787			993,787
Educational Activities	4,632			4,632
Drivers' Ed Car	185			185
Playground Equipment	10,853			10,853
Total Assigned	<u>1,031,635</u>			<u>1,031,635</u>
Unassigned	937,449			937,449
Total Fund Balance	<u>\$2,177,089</u>	<u>\$415,405</u>	<u>\$229,847</u>	<u>\$2,822,341</u>

12. INTERFUND TRANSACTIONS

During fiscal year 2011, the General Fund advanced \$5,000 to the Athletic Fund, which is shown with other governmental funds. The advance was for cash flow purposes. The advance was returned within the fiscal year.

13. SET-ASIDE CALCULATIONS

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

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital acquisition. State statute requires disclosing this information.

	<u>Textbooks and Instructional Material</u>	<u>Capital Acquisitions</u>
Set-aside Reserve Balance as of June 30, 2010	\$105,448	
Current Year Set-aside Requirement	89,493	\$89,493
Qualifying Disbursements	(54,630)	
Current Year Offsets		(101,409)
Totals	<u>\$140,311</u>	<u>(\$11,916)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$140,311</u>	<u>\$ 0</u>
Set-aside Reserve Balances as of June 30, 2011	<u>\$140,311</u>	<u>\$ 0</u>

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

**BOTKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

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

The governing board of WOCO consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$43,554 for services provided during the fiscal year. Financial information can be obtained from Donn Walls, who serves as Director, at 129 E. Court Street, Sidney, OH 45365.

Southwestern Ohio Education Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2011, the School District paid \$26,164 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2011, the School District paid \$587 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pools

Ohio Association of School Business Officials Workers' Compensation Southwestern Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials (OASBO) as an insurance purchasing pool. During fiscal year 2011, the School District paid \$980 to OASBO.

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

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for dental and health insurance and Medical Life Insurance Company for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating school district and the educational service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During fiscal year 2011, the School District paid \$147,452 to the Consortium. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 N. Ludlow St. Dayton, Ohio 45402.

Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

15. DONOR RESTRICTED ENDOWMENTS

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

16. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual – Budget Basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis is:

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

Cash	\$2,177,089
Encumbrances	(23,415)
Perspective	(79,146)
Budgetary	\$2,074,528

17. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned.

	General	Bond Retirement	Other Governmental Fund	Total Governmental Fund
Fund Balance June 30,	\$1,227,357	\$421,513	\$265,843	\$1,914,713
Change in Fund	68,066		(91,032)	(22,966)
Adjusted Fund Balance June 30,	\$1,295,423	\$421,513	\$174,811	\$1,891,747

The restatement had the following effect on net assets:

	Governmental Activities	Private Purpose Trust
Net Assets June 30, 2010	\$1,914,713	\$56,814
Change in Fund	(22,966)	22,966
Adjusted Net Assets June 30, 2010	\$1,891,747	\$79,780

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

18. CONTINGENCIES

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

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

19. SUBSEQUENT EVENTS

House Bill 30 eliminated the requirement to put money into the set-aside for textbooks and instructional materials. It was effective July 1, 2011.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

This discussion and analysis of the Botkins Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2010 are as follows:

- Net assets of governmental activities increased \$368,072, which is a 24 percent increase from 2009.
- The School District's general receipts are primarily property and income taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 24.7 and 42.6 percent of the total cash received for governmental activities during the fiscal year.
- During fiscal year 2009, the School District began collections on a voted income tax of 1.25 percent. During fiscal year 2010, \$431,941 was received for income taxes, an increase of \$388,912 from 2009.
- During fiscal year 2010, the School District entered into a loan for \$70,000 to purchase a new school bus. The interest rate on the loan is 3.19% and the loan will mature in October, [2012](#).

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

Reporting the School District's Most Significant Funds

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

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

The School District's major governmental funds are the General Fund and the Bond Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2010 compared to fiscal year 2009 on a cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2009	2010
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$1,546,641	\$1,914,713
Net Assets:		
Restricted for:		
Capital Outlay	72,424	98,687
Debt Service	604,900	421,513
Other Purposes	134,041	122,973
Set-asides	69,817	105,448
Bus Purchases	4,033	4,033
Unrestricted	661,426	1,162,059
Total Net Assets	\$1,546,641	\$1,914,713

As mentioned previously, net assets of governmental activities increased \$368,072 or 24 percent during fiscal year 2010. The bond retirement fund's cash balance fell \$183,387. The decrease in the cash balance of the bond retirement fund is due to the School District decreasing the tax rate per \$1,000 of assessed valuation by \$.5 for bonded debt for collections beginning in calendar year 2009.

The School District paid off its 1990 School Improvement Bond. The set-aside for textbooks and instructional materials increased during fiscal year 2010, as the School District did not spend enough to cover the current year requirement. Unrestricted net assets increased as net assets in the General Fund increased due to higher income tax receipts.

Table 2 reflects the changes in net assets for fiscal year 2010 compared to fiscal year 2009.

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

	Governmental Activities 2009	Governmental Activities 2010
Receipts:		
Program Receipts:		
Charges for Services	\$1,007,006	\$1,157,834
Operating Grants and Contributions	432,979	602,489
Capital Grants and Contributions	4,033	
Total Program Receipts	1,444,018	1,760,323
General Receipts:		
Property Taxes	1,020,280	958,527
Income Taxes	43,029	431,941
Grants and Entitlements Not Restricted to Specific Programs	2,563,690	2,404,936
Note Issued		70,000
All Other	31,717	17,310
Total General Receipts	3,658,716	3,882,714
Total Receipts	5,102,734	5,643,037

(Continued)

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

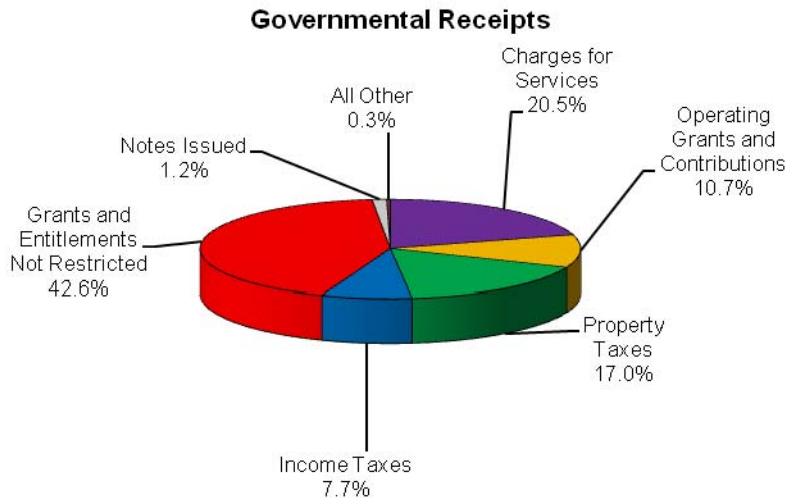
**(Table 2)
Changes in Net Assets
(Continued)**

	Governmental Activities 2009	Governmental Activities 2010
Disbursements:		
Instruction	2,871,603	2,802,021
Support Services:		
Pupils and Instructional Staff	552,163	454,580
Board of Education, Administration, and Fiscal	703,604	745,484
Operation and Maintenance of Plant	351,489	355,791
Pupil Transportation	108,247	186,113
Central	7,136	17,292
Operation of Non-Instructional Services	194,611	195,267
Extracurricular Activities	239,280	247,737
Capital Outlay	7,307	25,569
Debt Service	233,003	245,111
Total Disbursements	<u>5,268,443</u>	<u>5,274,965</u>
Increase (Decrease) in Net Assets	<u>(165,709)</u>	<u>368,072</u>
Net Assets, Beginning of Year	<u>1,712,350</u>	<u>1,546,641</u>
Net Assets, End of Year	<u><u>\$1,546,641</u></u>	<u><u>\$1,914,713</u></u>

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. Property taxes make up 17.0% of receipts. Property taxes decreased due to the reduction of assessment rates of tangible personal property. In addition, the tax rate decreased \$.5 mill for calendar year 2009 due to a decrease in the amount levy for bonded debt. During fiscal year 2009, the School District began collections on a voted income tax of 1.25 percent. Effective January 1, 2009, the School District began collections on a voted income tax of 1.25 percent which contributed to an increase in income taxes. Grants and entitlements not restricted, the School District's largest source of receipts, consists largely of state foundation monies. Operating grants and contributions increased during fiscal year 2010 due to ARRA and education stabilization monies.

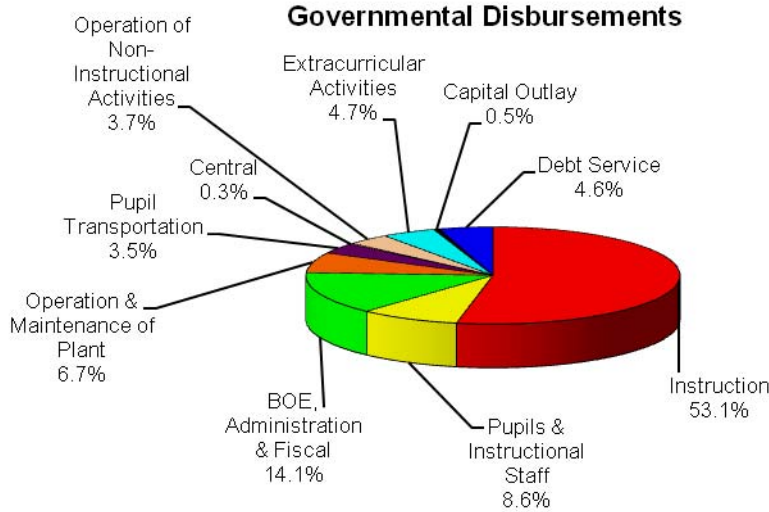
Disbursements increased less than 1% for fiscal year 2010.



**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Instruction comprises 53.1% of the School District's disbursements. Support services make up 33.2% of disbursements.



If you look at the Statement of Activities on page 48 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement.

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

**(Table 3)
Governmental Activities**

	Total Cost Of Services 2009	Net Cost of Services 2009	Total Cost Of Services 2010	Net Cost of Services 2010
Instruction	\$2,871,603	(\$1,978,537)	\$2,802,021	(\$1,620,899)
Support Services:				
Pupils and Instructional Staff	552,163	(456,734)	454,580	(394,180)
Board of Education, Administration and Fiscal	703,604	(578,898)	745,484	(656,655)
Operation and Maintenance of Plant	351,489	(338,262)	355,791	(242,776)
Pupil Transportation	108,247	(76,504)	186,113	(153,178)
Central	7,136	(2,136)	17,292	(12,292)
Operation of Non-Instructional Services	194,611	11,715	195,267	11,550
Extracurricular Activities	239,280	(165,277)	247,737	(179,609)
Capital Outlay	7,307	(6,789)	25,569	(21,492)
Debt Service	233,003	(233,003)	245,111	(245,111)
Total Disbursements	\$5,268,443	(\$3,824,425)	\$5,274,965	(\$3,514,642)

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

The dependence upon property tax receipts and grants and entitlements not restricted to specific programs is apparent as over 66 percent of governmental activities are supported through these general receipts. Operation of non-instructional activities, the only program that did not rely on general fund revenues consists of disbursements for the food service program.

The School District's Funds

Total governmental funds had receipts of \$5,569,580 and disbursements of \$5,274,965. The General Fund contributed to the increase in fund balances. The increase in income tax receipts attributed to the General Fund balance increase. The decrease in tax collections attributed to the Debt Service Fund balance decrease.

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, the School District amended its General Fund budget to reflect changing circumstances. During fiscal year 2010, estimated receipts remained the same throughout the fiscal year.

The School District closely monitored expenditures; enabling the School District to spend \$946,158 less than what was appropriated. The Administration and Board of Education have made additional dollars available in many categories in order to facilitate the needs of the School District as they arise.

With the School District's tight internal controls, additional monies are appropriated in order to allow those individuals in charge to be creative in their educational needs. The School District has a basic belief that it should be prepared to operate in the best manner to meet the needs of those who are being educated. In order to do so, appropriations are made in excess of minimum required funds to allow for variances in individual programs that are beneficial to the student body, yet economically sound. The School District has historically held conservative ways of spending dollars so that needs can be met with the interest of the taxpayer in mind.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At June 30, 2010, the School District's outstanding debt included \$240,000 in general obligation bonds and issued for improvements to buildings and structures. In addition during 2010, the School District received a loan for a school bus. At June 30, 2010, the balance on this loan was \$54,997. For further information regarding the School District's debt, refer to Notes 10 to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Current Issues

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

The School District has closely monitored its operating expenditures. On November 4, 2008, the School District voters approved a 1.25% income tax beginning January 1, 2009. The collection of this tax will help the School District's financial situation. Prior to the passage of the income tax, the School District's last operating levy was 24 years ago.

In addition, the School District voters approved a replacement levy for permanent improvements on May 5, 2009. This levy is for 5 years.

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

Contacting the School District's Financial Management

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

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**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2010**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$1,914,713</u></u>
Net Assets:	
Restricted for:	
Capital Outlay	\$98,687
Debt Service	421,513
Other Purposes	122,973
Set-Asides	105,448
Bus Purchases	4,033
Unrestricted	<u>1,162,059</u>
Total Net Assets	<u><u>\$1,914,713</u></u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Program Cash Receipts</u>			Net (Disbursements) Receipts and Changes in Net Assets
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$2,122,752	\$885,606	\$60,274	(\$1,176,872)
Special	500,546	1,677	203,783	(295,086)
Vocational	148,254		23,178	(125,076)
Student Intervention Services	17,876		6,027	(11,849)
Other	12,593		577	(12,016)
Support Services:				
Pupil	170,304	39,114	5,599	(125,591)
Instructional Staff	284,276		15,687	(268,589)
Board of Education	126,028		76,749	(49,279)
Administration	424,980		5,610	(419,370)
Fiscal	194,476		6,470	(188,006)
Operation and Maintenance of Plant	355,791	19,358	93,657	(242,776)
Pupil Transportation	186,113		32,935	(153,178)
Central	17,292		5,000	(12,292)
Operation of Non-Instructional Services	195,267	148,894	57,923	11,550
Extracurricular Activities	247,737	63,185	4,943	(179,609)
Capital Outlay	25,569		4,077	(21,492)
Principal Retirement	220,003			(220,003)
Interest and Fiscal Charges	25,108			(25,108)
Total Governmental Activities	<u>\$5,274,965</u>	<u>\$1,157,834</u>	<u>\$602,489</u>	<u>(3,514,642)</u>
General Receipts:				
Property Taxes Levied for:				
General Purposes				840,703
Capital Outlay				79,057
Debt Service				20,754
Other Purposes				18,013
Income Taxes Levied for General Purposes				431,941
Grants and Entitlements not Restricted to Specific Programs				2,404,936
Gifts and Donations not Restricted to Specific Programs				1,953
Notes Issued				70,000
Interest				8,697
Miscellaneous				6,660
Total General Receipts				<u>3,882,714</u>
Change in Net Assets				368,072
Net Assets Beginning of Year				<u>1,546,641</u>
Net Assets End of Year				<u><u>\$1,914,713</u></u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,117,876	\$421,513	\$265,843	\$1,805,232
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	109,481			109,481
Total Assets	<u>1,227,357</u>	<u>421,513</u>	<u>265,843</u>	<u>1,914,713</u>
Fund Balances:				
Reserved for Encumbrances	24,083		9,719	33,802
Reserved for Bus Purchases	4,033			4,033
Reserved for Textbooks and Instructional Materials	105,448			105,448
Designated for Termination Benefits			44,182	44,182
Unreserved, Undesignated, Reported in:				
General Fund	1,093,793			1,093,793
Special Revenue Funds			114,195	114,195
Debt Service Fund		421,513		421,513
Capital Projects Fund			97,747	97,747
Total Fund Balances	<u>\$1,227,357</u>	<u>\$421,513</u>	<u>\$265,843</u>	<u>\$1,914,713</u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property Taxes	\$840,703	\$20,754	\$97,070	\$958,527
Income Taxes	431,941			431,941
Intergovernmental	2,392,965	25,552	491,811	2,910,328
Interest	8,697		37	8,734
Tuition and Fees	887,283			887,283
Rentals	10,948		2,305	13,253
Extracurricular Activities			105,137	105,137
Contributions and Donations	1,803		19,816	21,619
Charges for Services			148,894	148,894
Miscellaneous	80,547		3,317	83,864
Total Receipts	<u>4,654,887</u>	<u>46,306</u>	<u>868,387</u>	<u>5,569,580</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,083,500		39,252	2,122,752
Special	296,157		204,389	500,546
Vocational	144,654		3,600	148,254
Student Intervention Services	11,850		6,026	17,876
Other	12,016		577	12,593
Support Services:				
Pupil	108,416		61,888	170,304
Instructional Staff	226,986		57,290	284,276
Board of Education	120,418		5,610	126,028
Administration	424,980			424,980
Fiscal	184,709	926	8,841	194,476
Operation and Maintenance of Plant	233,635		122,156	355,791
Pupil Transportation	75,798		110,315	186,113
Central	12,292		5,000	17,292
Operation of Non-Instructional Services			195,267	195,267
Extracurricular Activities	172,136		75,601	247,737
Capital Outlay			25,569	25,569
Debt Service:				
Principal Retirement		205,000	15,003	220,003
Interest and Fiscal Charges		23,767	1,341	25,108
Total Disbursements	<u>4,107,547</u>	<u>229,693</u>	<u>937,725</u>	<u>5,274,965</u>
Excess of Receipts Over (Under) Disbursements	<u>547,340</u>	<u>(183,387)</u>	<u>(69,338)</u>	<u>294,615</u>
Other Financing Sources (Uses):				
Sale of Fixed Assets	2,030			2,030
Refund of Prior Year Expenditures	1,427			1,427
Note Issued			70,000	70,000
Transfers In			45,000	45,000
Transfers Out	(45,000)			(45,000)
Total Other Financing Sources (Uses)	<u>(41,543)</u>		<u>115,000</u>	<u>73,457</u>
Net Change in Fund Balances	505,797	(183,387)	45,662	368,072
Fund Balances Beginning of Year	721,560	604,900	220,181	1,546,641
Fund Balances End of Year	<u>\$1,227,357</u>	<u>\$421,513</u>	<u>\$265,843</u>	<u>\$1,914,713</u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Receipts:				
Property Taxes	\$869,000	\$869,000	\$840,703	(\$28,297)
Income Taxes	360,000	360,000	431,941	71,941
Intergovernmental	2,452,728	2,452,728	2,392,965	(59,763)
Interest	7,000	7,000	8,697	1,697
Tuition and Fees	653,000	653,000	887,283	234,283
Rentals	20,000	20,000	10,948	(9,052)
Contributions and Donations	1,000	1,000	1,803	803
Miscellaneous	48,500	48,500	80,547	32,047
Total Receipts	4,411,228	4,411,228	4,654,887	243,659
Disbursements:				
Current:				
Instruction:				
Regular	2,356,791	2,356,791	2,087,236	269,555
Special	341,250	341,250	296,657	44,593
Vocational	160,775	160,775	144,864	15,911
Student Intervention Services	29,500	29,500	11,850	17,650
Other	24,000	24,000	12,016	11,984
Support Services:				
Pupil	142,070	142,070	108,615	33,455
Instructional Staff	263,915	263,915	228,446	35,469
Board of Education	125,500	125,500	120,418	5,082
Administration	678,928	678,928	430,960	247,968
Fiscal	220,625	220,625	185,469	35,156
Operation and Maintenance of Plant	377,201	377,201	234,363	142,838
Pupil Transportation	140,033	140,033	77,298	62,735
Central	21,000	21,000	21,302	(302)
Extracurricular Activities	196,200	196,200	172,136	24,064
Total Disbursements	5,077,788	5,077,788	4,131,630	946,158
Excess of Receipts Over (Under) Disbursements	(666,560)	(666,560)	523,257	1,189,817
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets			2,030	2,030
Refund of Prior Year Expenditures			1,427	1,427
Transfers Out	(55,000)	(55,000)	(45,000)	10,000
Total Other Financing Sources (Uses)	(55,000)	(55,000)	(41,543)	13,457
Net Change in Fund Balance	(721,560)	(721,560)	481,714	1,203,274
Fund Balance Beginning of Year	667,331	667,331	667,331	
Prior Year Encumbrances Appropriated	54,229	54,229	54,229	
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$1,203,274</u>	<u>\$1,203,274</u>

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2010**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$56,814	\$59,834
Net Assets:		
Held for Students		59,834
Held in Trust for Scholarships:		
Expendable	6,705	
Non-expendable	50,109	
Total Net Assets	\$56,814	\$59,834

See accompanying notes to the basic financial statements.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$1
Deductions:	
Scholarships	<u>1,600</u>
Change in Net Assets	(1,599)
Net Assets - Beginning of Year	<u>58,413</u>
Net Assets - End of Year	<u><u>\$56,814</u></u>

See accompanying notes to the basic financial statements.

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**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is located in Shelby County. The Board of Education controls the School District's instructional/support building which is staffed by 23 classified employees and 42 certificated full-time personnel who provide services to 551 students and other community members.

A. Reporting Entity

1. Primary Government

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

2. Component Units

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

The School District participates in three jointly governed organizations and three insurance purchasing pools. Note 13 to the basic financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The School District's management believes these financial statements present all from activities for which the School District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided as either governmental or fiduciary.

1. Governmental Funds

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

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

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

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

2. Fiduciary Funds

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

C. Basis of Accounting

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

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

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

E. Cash and Investments

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

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During fiscal year 2010, the School District did not have any investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2010 was \$8,697, which included \$3,867 assigned from other School District funds.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-term Obligations

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

M. Net Assets

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves and Designations

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, bus purchases, and textbooks and instructional materials.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation of termination benefits represents monies set aside by the Board for the future payment of those benefits.

O. Interfund Transactions

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

3. DEPOSITS AND INVESTMENTS

Investment Policies

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

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

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

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

Interim 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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

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

At fiscal year end, the School District had \$15,141 with the Community Foundation of Shelby County. The Foundation administrators the Botkins Student Memorial Scholarship Fund. Further information on the coverage of these deposits can be obtained from Marian Spicer, Executive Director, 100 South Main Avenue, Suite 202, Sidney, Ohio 45365-2771.

A. Deposits

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

At fiscal year-end, the carrying amount of the School District's deposits was \$2,031,361. Cash balances per the bank were \$2,077,818. \$500,000 of the School District's deposits was insured by Federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$1,577,818 of the School District's bank balance of \$2,077,818 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The School District did not have any investments at June 30, 2010.

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

4. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District.

Real property tax receipts received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied against local inter-change telephone companies in the prior calendar year on assessed values as of December 31, of that calendar year, at tax rates determined in the preceding year. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The percentages for telecommunications are 5 percent for 2010 and zero percent for 2011.

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Public utility property taxes are payable on the same date as real property taxes described previously.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. PROPERTY TAXES (Continued)

The School District receives property taxes from Shelby and Auglaize Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	<u>2009 Second- Half Collections</u>		<u>2010 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/ Residential and Other Real Estate	\$44,484,330	94.55 %	\$44,484,330	94.78 %
Public Utility Personal	2,513,920	5.34	2,413,620	5.14
Tangible Personal Property	52,370	.11	35,760	.08
Total	<u>\$47,050,620</u>	<u>100.00 %</u>	<u>\$46,933,710</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$27.65		\$27.65	

5. INCOME TAXES

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

6. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District contracted with Arthur Gallagher Risk Management Services Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

Building and Contents (\$1,000 deductible)	\$350,000,000		
Crime Insurance (\$1,000 deductible)	500,000		
Automobile Liability (\$1,000 deductible)			
Per Occurrence	1,000,000	Aggregate Limit	5,000,000
Uninsured/Underinsured Motorists (\$500 deductible)			
Per Occurrence	1,000,000		

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

6. RISK MANAGEMENT (Continued)

General Liability	
Per Occurrence	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap	
Per Occurrence	1,000,000
School Board Legal Liability (\$5,000 deductible)	
Aggregate Limit	1,000,000
Per Occurrence	5,000,000
General Excess Liability	
Per Occurrence	5,000,000
Annual Aggregate Limit	5,000,000

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

B. Workers' Compensation

For fiscal year 2010, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates/McDonald provides administrative, cost control and actuarial services to the GRP. Effective August 31, 2009, Comp Management, Inc. provides the administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2010, the School District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 13). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the Consortium.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78 percent of annual covered salary. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$78,569, \$48,547, and \$44,442, respectively; 52.62 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$271,423, \$308,303, and \$305,382, respectively; 84.29 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$13,636 made by the School District and \$9,740 made by the plan members.

8. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$4,672, \$4,005, and \$3,202, respectively; 52.62 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

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

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is .46 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For fiscal year 2010, the surcharge amount was \$10,898.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$13,726, \$32,553, and \$30,868, respectively; 10.84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

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

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$20,879, \$23,716, and \$23,491, respectively; 84.29 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

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

C. Deferred Compensation

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

10. LONG-TERM DEBT

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

	<u>Amount Outstanding 6/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/2010</u>	<u>Amount Due in One Year</u>
Governmental Activities:					
School Improvement Bond 1990 5.8-7.2%	\$175,000		(\$175,000)		
Building Assistance Bond 1995 5.1-6.85%	270,000		(30,000)	\$240,000	\$30,000
Bus Loan 2010 3.19%		\$70,000	(15,003)	54,997	23,079
Total Governmental Activities					
Long-Term Liabilities	<u>\$445,000</u>	<u>\$70,000</u>	<u>(\$220,003)</u>	<u>\$294,997</u>	<u>\$53,079</u>

School Improvement Bonds – Series A and B – On March 1, 1990, the School District issued \$2,500,000 in voted general obligation bonds for the purpose of additions and improvements to the school building. The bond was issued for a twenty year period with final maturity School Improvement Bonds were issued February 1, 1988, in the amount of \$910,000, for the purpose of school improvements. The bonds interest rate is 7.25%. The bonds will mature December 1, 2010, and will be retired from the Bond Retirement Debt Service Fund.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. LONG-TERM DEBT (Continued)

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

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

At June 30, 2010, the School District's overall legal debt margin was \$4,350,549 with an un-voted debt margin of \$46,934.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Bus Loan		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 30,000	\$15,413	\$ 45,413	\$23,079	\$1,436	\$24,515
2012	30,000	13,358	43,358	23,845	671	24,516
2013	30,000	11,303	41,303	8,073	53	8,126
2014	30,000	9,248	39,248			
2015	30,000	7,193	37,193			
2016-2017	90,000	9,249	99,249			
	<u>\$240,000</u>	<u>\$65,764</u>	<u>\$305,764</u>	<u>\$54,997</u>	<u>\$2,160</u>	<u>\$57,157</u>

11. INTERFUND TRANSACTIONS

During fiscal year 2010, the General Fund transferred \$45,000 to the Severance Fund, which is shown with other governmental funds. The transfer was to fund future severance payments.

12. SET-ASIDE CALCULATIONS

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

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital acquisition. State statute requires disclosing this information.

	Textbooks and Instructional Material	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2009	\$69,817	
Current Year Set-aside Requirement	89,299	\$89,299
Qualifying Disbursements	(53,668)	
Current Year Offsets		(97,070)
Totals	<u>\$105,448</u>	<u>(\$7,771)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$105,448</u>	<u>\$0</u>
Set-aside Reserve Balances as of June 30, 2010	<u>\$105,448</u>	<u>\$0</u>

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

12. SET-ASIDE CALCULATIONS (Continued)

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

13. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

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

The governing board of WOCO consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$37,341 for services provided during the fiscal year. Financial information can be obtained from Donn Walls, who serves as Director, at 129 E. Court Street, Sidney, OH 45365.

Southwestern Ohio Education Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2010, the School District paid \$45,474 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund and Title II-D Fund. During fiscal year 2010, the School District paid \$490 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pools

Ohio Association of School Business Officials Workers' Compensation Southwestern Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials (OASBO) as an insurance purchasing pool. During fiscal year 2010, the School District paid \$0 to OASBO.

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

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for dental and health insurance and Medical Life Insurance Company for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating school district and the educational service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During fiscal year 2010, the School District paid \$207,217 to the Consortium. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 N. Ludlow St. Dayton, Ohio 45402.

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

14. DONOR RESTRICTED ENDOWMENTS

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

15. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual – Budget Basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis is outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year-end (budgetary basis) for the General Fund were \$24,083.

16. CONTINGENCIES

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the each major fund, and the aggregate remaining fund information of Botkins Local School District, Shelby County, (the School District) as of and for the years ended June 30, 2011 and 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 30, 2011, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the School District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance and Governmental Fund Type Definitions* for year ended June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We intend this report solely for the information and use of audit committee, management, board of education, and others within the School District. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

November 30, 2011



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 10, 2010, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

November 30, 2011

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Dave Yost • Auditor of State

BOTKINS LOCAL SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 27, 2011**