



Dave Yost • Auditor of State

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	15
Statement of Activities – Cash Basis	16
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds	17
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis - Governmental Funds.....	18
Statement of Receipts, Disbursements and Change in Fund Balance - Budget and Actual – (Budget Basis) - General Fund	19
Statement of Receipts, Disbursements and Change in Fund Balance - Budget and Actual – (Budget Basis) – Classroom Facilities and Maintenance Fund	20
Statement of Fiduciary Assets and Liabilities – Cash Basis – Fiduciary Funds	21
Notes to the Basic Financial Statements	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43
Schedule of Findings	45
Schedule of Prior Audit Findings	47

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Bettsville Local School District
Seneca County
7635 North County Road 51
P.O. Box 64
Old Fort, Ohio 44861-0064

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bettsville Local School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bettsville Local School District, Seneca County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the respective budgetary comparison for the General and Classroom Facilities and Maintenance funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matters

As discussed in Note 18 to the financial statements, the District was declared into fiscal emergency by the Auditor of State as defined by Ohio Rev. Code Section 3316.03(B)(3) on February 6, 2014. Note 18 describes the District's plan regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

As discussed in Note 19 to the financial statements, the District merged with Old Fort Local School District, Seneca County effective July 1, 2014. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 17, 2015

This page intentionally left blank.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The management's discussion and analysis of Bettsville Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- Fiscal year 2014 was the last year of operations for the Bettsville Local School District. On June 24, 2014, the Governing Board of the North Central Ohio Educational Service Center passed a resolution to transfer all of the territory of Bettsville Local District to Old Fort Local District effective June 30, 2014.
- During fiscal year 2014, the total net position of the District increased \$360,319 or 238.97% from fiscal year 2013.
- General receipts accounted for \$2,749,912 or 75.86% of total governmental activities receipts. Program specific receipts accounted for \$874,937 or 24.14% of total governmental activities receipts.
- The District had \$3,264,530 in disbursements related to governmental activities; \$874,937 of these disbursements was offset by program specific charges for services, grants or contributions. General receipts of \$2,749,912 were adequate to provide for these programs.
- The District's major funds are the general fund, classroom facilities maintenance fund and bond retirement fund. The general fund, the District's largest major fund, had receipts and other financing sources of \$3,109,694 in 2014. The disbursements and other financing uses of the general fund, totaled \$2,755,081 in 2014. The general fund's balance increased \$354,613 from 2013 to 2014.
- The classroom facilities maintenance fund, a District major fund, had receipts of \$12,946 and disbursements of \$8,535 in 2014. The classroom facilities maintenance fund's balance increased \$4,411 from 2013 to 2014.
- The bond retirement fund, a District major fund, had receipts of \$24,579 and disbursements of \$46,303 in 2014. The bond retirement fund's balance decreased \$21,724 from 2013 to 2014.

Using the Basic Financial Statements

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

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, classroom facilities maintenance fund and the bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)

Basis of Accounting

The District has elected to present its financial statements on a cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipts and disbursement basis presentation in a statement of net position will be cash, cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District as a Whole

Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis

The statement of net position – cash basis and statement of activities – cash basis reflect how the District did financially during fiscal year 2014, within the limitations of the cash basis of accounting. The statement of net position – cash basis presents the cash balances of the governmental type activities of the District at the fiscal year end. The statement of activities compares disbursements with program receipts of 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 the particular program. General receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's net position and the changes in net position. Keeping in mind the limitations of the cash basis accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's net position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position – cash basis and statement of activities – cash basis, the governmental activities include the District's programs and services including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities, food service operations and debt service.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, classroom facilities maintenance fund and bond retirement fund.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the year-end available for spending in future periods. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be readily spent to finance various District programs. The 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 a single column.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are agency funds.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

The table below provides a summary of the District's net position for 2014 and 2013.

	Net Position	
	Governmental Activities	
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Equity in pooled cash	<u>\$ 209,537</u>	<u>\$ (150,782)</u>
<u>Net cash position</u>		
Restricted	206,633	253,940
Unrestricted	<u>2,904</u>	<u>(404,722)</u>
Total net cash position	<u>\$ 209,537</u>	<u>\$ (150,782)</u>

The total net position of the District increased \$360,319, which represents a 238.97% increase from fiscal year 2013. Equity in pooled cash and cash equivalents increased due to a \$775,000 receipt from the State of Ohio solvency assistance fund.

The balance of government-wide unrestricted net position of \$2,904 may be used to meet the government's ongoing obligations to citizens and creditors.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)

The table below shows the changes in net position for fiscal year 2014 and 2013.

	Change in Net Position Governmental Activities	
	2014	2013
Receipts:		
Program receipts:		
Charges for services and sales	\$ 300,047	\$ 301,331
Operating grants and contributions	574,890	527,780
Total program receipts	874,937	829,111
General receipts:		
Property and other taxes	450,873	440,223
Income taxes	225,153	202,152
Grants and entitlements not restricted to specific programs	1,178,338	1,268,708
Gifts and donations not restricted to specific programs	-	1,500
Investment earnings	384	525
State solvency assistance fund proceeds	775,000	-
Other	120,164	25,899
Total general receipts	2,749,912	1,939,007
Total receipts	3,624,849	2,768,118

Tax receipts increased \$33,651 from the prior year due to improving economic conditions. Grants and entitlements not restricted to specific programs decreased \$90,370 due in part to the classification of certain state aid as a program receipt offsetting special education. Other cash receipts increased \$94,265 due to an increase in other local revenues. The District received \$775,000 in proceeds from the State of Ohio solvency assistance fund to continue operations through the fiscal year.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)

	Change in Net Position	
	Governmental Activities - (Continued)	
	2014	2013
Disbursements:		
Instruction:		
Regular	1,612,997	1,351,609
Special	426,168	541,666
Support services:		
Pupil	134,136	50,747
Instructional staff	16,272	29,894
Board of education	26,386	9,138
Administration	270,499	241,905
Fiscal	245,687	206,723
Operations and maintenance	247,792	253,086
Pupil transportation	123,098	110,352
Central	-	8,108
Operation of non instructional services:		
Food service operations	62,790	-
Other non instructional services	3,200	79,045
Extracurricular activities	39,466	52,522
Refund of prior year receipts	-	372,732
Intergovernmental pass through	2,922	-
Debt service:		
Principal retirement	41,308	42,103
Interest and fiscal charges	11,809	16,940
	<u>3,264,530</u>	<u>3,366,570</u>
Total disbursements		
Change in net position	360,319	(598,452)
Net position (deficit) at beginning of year	<u>(150,782)</u>	<u>447,670</u>
Net position (deficit) at end of year	<u>\$ 209,537</u>	<u>\$ (150,782)</u>

Governmental Activities

Governmental net position increased by \$360,319 in 2014 from 2013. Total governmental disbursements of \$3,264,530 were offset by program receipts of \$874,937 and general receipts of \$2,749,912. Program receipts supported 26.80% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 51.16% of total governmental receipts. Real estate property is reappraised every six years. The District received \$775,000 in proceeds from the State of Ohio solvency assistance fund to continue operations through the fiscal year.

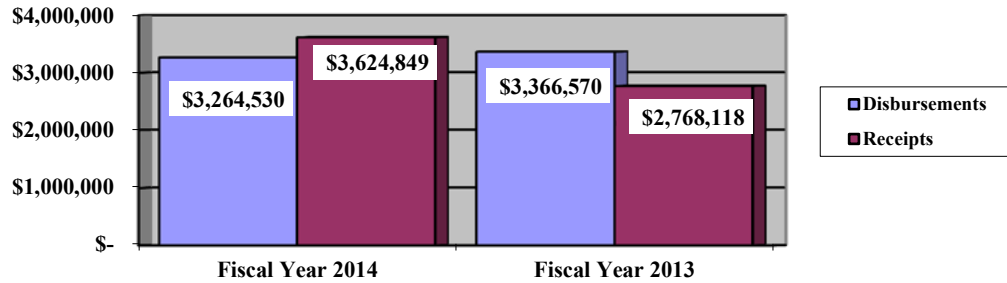
The largest disbursement of the District is for instruction. Instruction disbursements totaled \$2,039,165 or 62.46% of total governmental disbursements for fiscal year 2014.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)

The graph below shows governmental activities receipts and disbursements for fiscal year 2014 and 2013:

Governmental Activities - Total Receipts vs. Total Disbursements



The statement of activities shows the cost of program services and the charges for services and grants off setting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

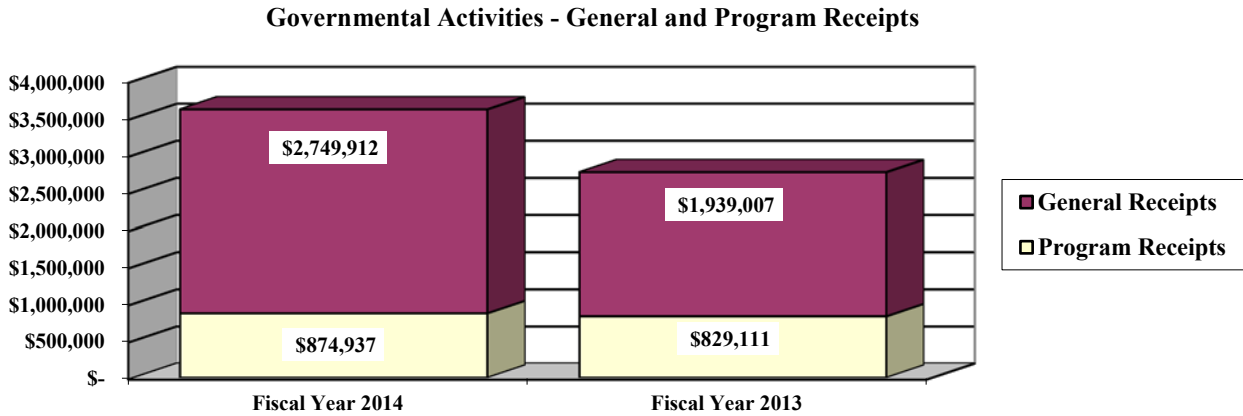
	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
Disbursements:				
Instruction:				
Regular	\$ 1,612,997	\$ 1,252,384	\$ 1,351,609	\$ 1,171,481
Special	426,168	59,283	541,666	183,737
Support services:				
Pupil	134,136	130,705	50,747	42,303
Instructional staff	16,272	16,272	29,894	26,381
Board of education	26,386	26,386	9,138	8,258
Administration	270,499	244,710	241,905	188,823
Fiscal	245,687	244,627	206,723	151,159
Operations and maintenance	247,792	246,336	253,086	222,667
Pupil transportation	123,098	87,513	110,352	69,369
Central	-	-	8,108	449
Operation of non instructional services:				
Food service operations	62,790	(3,231)	-	-
Other non instructional services	3,200	(5,138)	79,045	3,453
Extracurricular activities	39,466	33,707	52,522	38,527
Refund of prior year receipts	-	-	372,732	372,732
Intergovernmental pass through	2,922	2,922	-	-
Debt service:				
Principal retirement	41,308	41,308	42,103	42,103
Interest and fiscal charges	11,809	11,809	16,940	16,017
Total	<u>\$ 3,264,530</u>	<u>\$ 2,389,593</u>	<u>\$ 3,366,570</u>	<u>\$ 2,537,459</u>

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)

The dependence upon general receipts for governmental activities is apparent; with 73.20% of disbursements supported through taxes and other general receipts during 2014.

The graph below presents the District's governmental activities receipts for fiscal year 2014 and 2013.



The District's Funds

The District's governmental funds reported a combined fund balance of \$209,537, which is \$360,319 above last year's deficit total of \$150,782. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and June 30, 2013, for all major and nonmajor governmental funds.

	Fund Balance <u>June 30, 2014</u>	Fund Balance (deficit) <u>June 30, 2013</u>	Increase (decrease)
Major Funds:			
General	\$ 12,692	\$ (341,921)	\$ 354,613
Classroom Facilities Maintenance	29,969	25,558	4,411
Bond Retirement	138,295	160,019	(21,724)
Other Nonmajor Governmental Funds	<u>28,581</u>	<u>5,562</u>	<u>23,019</u>
Total	<u>\$ 209,537</u>	<u>\$ (150,782)</u>	<u>\$ 360,319</u>

General Fund

The general fund, the District's largest major fund, had receipts and other financing sources of \$3,109,694 in 2014. The disbursements and other financing uses of the general fund, totaled \$2,755,081 in 2014. The general fund's balance increased \$354,613 from 2013 to 2014 primarily due to the receipt of \$775,000 in proceeds from the State of Ohio solvency assistance fund to continue operations through the fiscal year.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)

The table that follows assists in illustrating the receipts of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Receipts:</u>			
Taxes	\$ 647,963	\$ 605,955	6.93 %
Tuition	277,879	213,722	30.02 %
Earnings on investments	384	498	(22.89) %
Other local revenues	123,476	84,111	46.80 %
Intergovernmental - State	<u>1,284,992</u>	<u>1,257,148</u>	2.21 %
Total	<u>\$ 2,334,694</u>	<u>\$ 2,161,434</u>	8.02 %

Taxes increased due to an increase in property tax collections and improving economic conditions. Tuition increased \$62,157 due to open enrollment adjustment from the previous year. The increase in other local revenues of \$39,365 was due primarily to an increase in public school support. Intergovernmental receipts increased \$27,844 due to increased school foundation basic allowance and poverty based assistance.

The table that follows assists in illustrating the disbursements of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Disbursements:</u>			
Instructional	\$ 1,670,351	\$ 1,526,920	9.39 %
Support services	988,508	776,271	27.34 %
Extracurricular	34,411	41,988	(18.05) %
Debt service	<u>6,814</u>	<u>11,580</u>	(41.16) %
Total	<u>\$ 2,700,084</u>	<u>\$ 2,356,759</u>	14.57 %

Instruction and support services disbursements increased due to customary increases in wages and benefits. Overall, disbursements increased \$343,325 from 2013.

Classroom Facilities Maintenance Fund

The classroom facilities maintenance fund, a District major fund, had receipts of \$12,946 and disbursements of \$8,535 in 2014. The classroom facilities maintenance fund's balance increased \$4,411 from 2013 to 2014.

Bond Retirement Fund

The bond retirement fund, a District major fund, had receipts of \$24,579 in 2014. The disbursements of the bond retirement fund, totaled \$46,303 in 2014. The bond retirement fund's balance decreased \$21,724 from 2013 to 2014.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)

Budgeting Highlights - General Fund

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

For the general fund, the original and final budgeted receipts were \$2,618,251. Actual receipts and other financing sources of \$3,109,043 were more than the final budgeted estimates in the amount of \$490,792 due to receiving less in intergovernmental revenues than anticipated but receiving the \$775,000 in state solvency assistance.

The original and final budgeted disbursements were \$2,238,900. The actual disbursements and other financing uses of \$2,756,442 were \$517,542 more than the final budget estimates due to increased spending due to receiving the state solvency assistance of \$775,000.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had no facilities acquisition and construction disbursements during fiscal year 2014.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2014 and 2013:

	Governmental Activities 2014	Governmental Activities 2013
General obligation bonds	\$ 332,128	\$ 362,638
Capital lease	-	6,308
Total long-term obligations	\$ 332,128	\$ 368,946

Current Financial Related Activities

Territory Transfer

On June 24, 2014, the Governing Board of North Central Ohio Educational Service Center passed a resolution to transfer all of the territory of Bettsville Local District to Old Fort Local District effective June 30, 2014. The financial reporting of the combined entity, Old Fort Local District, will be effective on July 1, 2014 which is the beginning of the continuing governments reporting period.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact John Kahmann, Treasurer, Old Fort Local School District, 7635 North County Road. 51, P.O. Box 64, Old Fort, Ohio 44861-0064.

This page intentionally left blank.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 209,537
 Net position:	
Restricted for:	
Debt service.	\$ 138,295
Classroom facilities maintenance	29,969
State funded programs.	8,476
Federally funded programs	639
Student activities	8,478
Other purposes	20,776
Unrestricted	2,904
Total net position.	\$ 209,537

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Disbursements	Program Receipts		Net (Disbursements)
		Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 1,612,997	\$ 249,523	\$ 111,090	\$ (1,252,384)
Special	426,168	31,017	335,868	(59,283)
Support services:				
Pupil	134,136	-	3,431	(130,705)
Instructional staff	16,272	-	-	(16,272)
Board of education	26,386	-	-	(26,386)
Administration	270,499	651	25,138	(244,710)
Fiscal	245,687	-	1,060	(244,627)
Operations and maintenance	247,792	-	1,456	(246,336)
Pupil transportation	123,098	-	35,585	(87,513)
Operation of non-instructional services:				
Food service operations	62,790	14,346	51,675	3,231
Other non-instructional services	3,200	-	8,338	5,138
Extracurricular activities	39,466	4,510	1,249	(33,707)
Intergovernmental pass through	2,922	-	-	(2,922)
Debt service:				
Principal retirement	41,308	-	-	(41,308)
Interest and fiscal charges	11,809	-	-	(11,809)
Total governmental activities	\$ 3,264,530	\$ 300,047	\$ 574,890	(2,389,593)
General receipts:				
Property taxes levied for:				
General purposes				422,810
Other purposes				8,101
Debt service				19,962
Income taxes levied for:				
General purposes				225,153
Grants and entitlements not restricted				
to specific programs				1,178,338
Investment earnings				384
State solvency assistance fund proceeds				775,000
Miscellaneous				120,164
Total general receipts				2,749,912
Change in net position				360,319
Net position (deficit) at beginning of year				(150,782)
Net position at end of year				\$ 209,537

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 12,692	\$ 29,969	\$ 138,295	\$ 28,581	\$ 209,537
Fund balances:					
Restricted:					
Debt service	\$ -	\$ -	\$ 138,295	\$ -	\$ 138,295
Classroom facilities maintenance	-	29,969	-	-	29,969
Food service operations	-	-	-	20,776	20,776
Migrant program	-	-	-	28	28
Other purposes	-	-	-	9,087	9,087
Extracurricular activities	-	-	-	8,478	8,478
Assigned:					
Student instruction	1,126	-	-	-	1,126
Student and staff support	1,916	-	-	-	1,916
Unassigned (deficit)	9,650	-	-	(9,788)	(138)
Total fund balances	<u>\$ 12,692</u>	<u>\$ 29,969</u>	<u>\$ 138,295</u>	<u>\$ 28,581</u>	<u>\$ 209,537</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
From local sources:					
Property taxes	\$ 422,810	\$ 8,101	\$ 19,962	\$ -	\$ 450,873
Income taxes	225,153	-	-	-	225,153
Tuition	277,879	-	-	-	277,879
Earnings on investments	384	-	-	23	407
Charges for services	-	-	-	14,346	14,346
Extracurricular	-	-	-	4,510	4,510
Classroom materials and fees	2,661	-	-	-	2,661
Contributions and donations	-	-	-	1,237	1,237
Other local revenues	120,815	-	-	-	120,815
Intergovernmental - state	1,284,992	4,845	4,617	6,512	1,300,966
Intergovernmental - federal	-	-	-	451,002	451,002
Total receipts	<u>2,334,694</u>	<u>12,946</u>	<u>24,579</u>	<u>477,630</u>	<u>2,849,849</u>
Disbursements:					
Current:					
Instruction:					
Regular	1,497,651	-	-	115,346	1,612,997
Special	172,700	-	-	253,468	426,168
Support services:					
Pupil	130,405	-	-	3,731	134,136
Instructional staff	16,272	-	-	-	16,272
Board of education	26,386	-	-	-	26,386
Administration	243,166	-	-	27,333	270,499
Fiscal	244,435	99	-	1,153	245,687
Operations and maintenance	240,695	5,514	-	1,583	247,792
Pupil transportation	87,149	-	-	35,949	123,098
Operation of non-instructional services:					
Food service operations	-	-	-	62,790	62,790
Other non-instructional services	-	-	-	3,200	3,200
Extracurricular activities	34,411	-	-	5,055	39,466
Intergovernmental pass through	-	2,922	-	-	2,922
Debt service:					
Principal retirement	6,308	-	35,000	-	41,308
Interest and fiscal charges	506	-	11,303	-	11,809
Total disbursements	<u>2,700,084</u>	<u>8,535</u>	<u>46,303</u>	<u>509,608</u>	<u>3,264,530</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(365,390)</u>	<u>4,411</u>	<u>(21,724)</u>	<u>(31,978)</u>	<u>(414,681)</u>
Other financing sources (uses):					
Proceeds from state solvency assistance fund	775,000	-	-	-	775,000
Transfers in	-	-	-	54,997	54,997
Transfers (out)	<u>(54,997)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,997)</u>
Total other financing sources (uses)	<u>720,003</u>	<u>-</u>	<u>-</u>	<u>54,997</u>	<u>775,000</u>
Net change in fund balances	354,613	4,411	(21,724)	23,019	360,319
Fund balances (deficit)					
at beginning of year	<u>(341,921)</u>	<u>25,558</u>	<u>160,019</u>	<u>5,562</u>	<u>(150,782)</u>
Fund balances at end of year	<u>\$ 12,692</u>	<u>\$ 29,969</u>	<u>\$ 138,295</u>	<u>\$ 28,581</u>	<u>\$ 209,537</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
From local sources:				
Property taxes	\$ 461,940	\$ 461,940	\$ 422,810	\$ (39,130)
Income taxes.	237,168	237,168	225,153	(12,015)
Tuition.	292,707	292,707	277,879	(14,828)
Earnings on investments	404	404	384	(20)
Classroom materials and fees	2,803	2,803	2,661	(142)
Other local revenues	124,621	124,621	120,164	(4,457)
Intergovernmental - state	1,498,608	1,498,608	1,284,992	(213,616)
Total receipts.	<u>2,618,251</u>	<u>2,618,251</u>	<u>2,334,043</u>	<u>(284,208)</u>
Disbursements:				
Current:				
Instruction:				
Regular	1,255,594	1,255,594	1,498,777	(243,183)
Special.	141,223	141,223	172,700	(31,477)
Support services:				
Pupil.	106,637	106,637	130,405	(23,768)
Instructional staff	13,306	13,306	16,272	(2,966)
Board of education	21,577	21,577	26,386	(4,809)
Administration.	198,364	198,364	242,577	(44,213)
Fiscal	199,793	199,793	244,518	(44,725)
Operations and maintenance.	196,865	196,865	240,745	(43,880)
Pupil transportation	71,830	71,830	87,840	(16,010)
Extracurricular activities.	28,139	28,139	34,411	(6,272)
Debt service:				
Principal	5,158	5,158	6,308	(1,150)
Interest and fiscal charges.	414	414	506	(92)
Total disbursements.	<u>2,238,900</u>	<u>2,238,900</u>	<u>2,701,445</u>	<u>(462,545)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>379,351</u>	<u>379,351</u>	<u>(367,402)</u>	<u>(746,753)</u>
Other financing sources (uses):				
Transfers (out).	-	-	(54,997)	(54,997)
Proceeds from state solvency assistance fund	-	-	775,000	775,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>720,003</u>	<u>720,003</u>
Net change in fund balance	379,351	379,351	352,601	(26,750)
Fund balance (deficit) at beginning of year.	(343,430)	(343,430)	(343,430)	-
Prior year encumbrances appropriated	453	453	453	-
Fund balance at end of year.	<u>\$ 36,374</u>	<u>\$ 36,374</u>	<u>\$ 9,624</u>	<u>\$ (26,750)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
CLASSROOM FACILITIES MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources:				
Property taxes	\$ 8,800	\$ 8,800	\$ 8,101	\$ (699)
Intergovernmental - state	8,750	8,750	4,845	(3,905)
Total revenue	17,550	17,550	12,946	(4,604)
Expenditures:				
Current:				
Support Services:				
Fiscal	116	116	99	17
Operations and maintenance.	6,460	6,460	5,514	946
Intergovernmental pass through	3,424	3,424	2,922	502
Total expenditures	10,000	10,000	8,535	1,465
Net change in fund balance	7,550	7,550	4,411	(3,139)
Fund balance at beginning of year	25,558	25,558	25,558	-
Fund balance at end of year	\$ 33,108	\$ 33,108	\$ 29,969	\$ (3,139)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014

	Agency
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 10,036
 Liabilities:	
Undistributed monies	\$ 976
Due to students.	9,060
 Total liabilities	\$ 10,036

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE DISTRICT

Bettsville Local District (the "District") is located in Seneca County and encompasses the Village of Bettsville. The District serves an area of approximately 17 square miles.

The District was established in 1841 through the consolidation of existing land areas and Districts and is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates one elementary school, one middle school, and one comprehensive high school located in one building. The District employs both non-certified and certified employees to provide services to 157 students in grades K through 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.D, these financial statements are presented on the cash basis of accounting. The 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 District's accounting policies.

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the District.

The District is associated with the Northern Ohio Educational Computer Association (NOECA), and Vanguard-Sentinel Career and Technology Centers, which are defined as jointly governed organizations, the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool, and North Central Ohio Joint Self-Insurance Association, a public entity shared risk pool. These organizations are presented in Notes 12 and 13 to the basic financial statements.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

The District uses the provisions of GASB Statement No. 34 for financial reporting on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, and GASB Statement No. 38, for certain financial statement note disclosures. The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the cash basis financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the District's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. 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 general receipts of the District.

Fund Financial Statements - During the fiscal year, the District segregates transactions related to certain District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the 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.

C. Fund Accounting

The 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. All funds of the District fall within two categories: governmental and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. On the cash basis of accounting governmental fund assets equal fund balance. The following are the District's major governmental funds:

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

General Fund -The general fund is the operating fund of the District and is used to account for all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Facilities Maintenance Fund - The classroom facilities maintenance fund is used to account for the proceeds of a levy for the maintenance of facilities. The major revenue source for this fund is tax revenue.

Bond Retirement Fund -The bond retirement fund is used to account for the accumulation of financial resources restricted, committed or assigned for, the payment of, general long-term debt. The major source of revenue for this fund is tax revenue.

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency funds account for student activities and monies collected and due to the Village of Bettsville.

D. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

As a result of the use of the 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 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Receipts - Exchange and Non-exchange Transactions - Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the fiscal year in which the resources are received.

Disbursements - On the cash basis of accounting, disbursements are recognized at the time payments are made.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the 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 legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$384, which was all assigned from other funds.

G. Inventory and Prepaid Items

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

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

Capital assets acquired or constructed for the District are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported on the financial statements.

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

The 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.

Premiums and issuance costs are reported on the cash basis and are not reported as liabilities or assets on the accompanying financial statements.

L. Fund Balance

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

Nonspendable - The nonspendable fund cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Committed - The committed fund cash balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District 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 cash 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 fund cash balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund cash balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund cash 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 only used to report a deficit fund cash balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund cash balance is available. Similarly, within unrestricted fund cash balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund cash balance classifications could be used.

M. Net Position

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods 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 on the basic financial statements. In the government-wide financial statements transfers within governmental activities are eliminated. Flows of cash from one fund to another with a requirement for repayment are reported as advances in and out. Advances between governmental activities are eliminated in the statement of activities.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 67, "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25", and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 67 improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets and deferred outflows, liabilities and deferred inflows, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

At June 30, 2014, contrary to Ohio Rev. Code Section 5705.10(B), the District posted \$11,195 of bond retirement levy monies into the general fund and \$1,048 bond retirement PPT Loss Reimbursement was posted to the permanent improvement fund.

Contrary to Ohio Rev. Code Section 5705.10(C), Classroom Facilities Maintenance fund tax levy monies of \$4,534 were posted into the general fund. Personal Property Tax Loss Reimbursement revenues were overstated in the permanent improvement and classroom facilities and maintenance fund by \$1,461 and \$487 and understated in the bond retirement and agency funds by \$1,048 and \$900, respectively. Also, the Fixed Rate Reimbursement allocation by levy was posted \$76 to the general fund instead of the agency fund.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 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.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$219,573. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$39,821 of the District's bank balance of \$289,821 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

At June 30, 2014, the District had no investments.

C. Reconciliation of Cash to the Statement of Net Position

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2014:

<u>Cash per note</u>	
Carrying amount of deposits	\$ <u>219,573</u>
<u>Cash per statement of net position</u>	
Governmental activities	\$ 209,537
Agency funds	<u>10,036</u>
Total	\$ <u>219,573</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers

Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund statements:

Nonmajor governmental funds	<u>\$ 54,997</u>
-----------------------------	------------------

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

Interfund advances

As of June 30, 2012, the District had the following advances in/advances out which have not been repaid as of June 30, 2014:

<u>Advances in</u>	<u>Advances out</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	<u>\$ 82,490</u>

The primary purpose of the advances is to cover costs in specific funds where revenues were not received by June 30.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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.

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes.

Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date tax bills are sent.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 21,201,660	94.30	\$ 21,242,920	94.12
Public utility personal	<u>1,282,470</u>	<u>5.70</u>	<u>1,327,700</u>	<u>5.88</u>
Total	<u>\$ 22,484,130</u>	<u>100.00</u>	<u>\$ 22,570,620</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 35.00		\$ 35.00	

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2014, the District contracted with Ohio School Plan for coverage for liability, real property, building and contents, boiler/machinery and vehicles. Vehicles policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured.

Property - including inland marine, miscellaneous equipment, and automobile physical damage catastrophic coverage (\$1,000 deductible)	\$ 13,784,401
Automobile liability (zero deductible)	1,000,000
Uninsured motorists (zero deductible)	1,000,000
General liability:	
Per Occurrence	2,000,000
Annual Aggregate	4,000,000

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

The District participates in the North Central Ohio Trust, a public entity shared risk pool (Note 13) consisting of North Central Ohio ESC (NCOESC), and six local Districts: Tiffin, Old Fort, Bettsville, Seneca East, New Riegel and Mohawk. The pool is self-sustaining through member premiums. The District paid a monthly premium to the pool for health insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$50,000 for any employee.

For fiscal year 2014, the District participated in the Ohio School Boards 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 District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all 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.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 7 - RISK MANAGEMENT - (Continued)

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 ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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 District Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$39,598, \$42,996, and \$47,856, respectively; which equaled the required annual contribution for each year.

B. State Teachers Retirement System of Ohio

Plan Description - The 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 website at www.strsoh.org, under "Publications".

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 8 - PENSION PLANS - (Continued)

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The 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 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$140,043, \$131,076 and \$145,380, respectively; which equaled the required annual contribution for each year. Contributions to the DC and Combined Plans for fiscal year 2014 were \$11,434 made by the District and \$8,984 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014, there were no employees that have elected Social Security.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The 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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$14,718, \$6,268 and \$8,115, respectively; which equaled the required annual contribution for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,297, \$2,273 and \$2,564, respectively; which equaled the required annual contribution for each year.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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, under "Publications" or by calling (888) 227-7877.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$10,773, \$10,083 and \$10,384, respectively; which equaled the required annual contribution for each year.

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

In a previous fiscal year, the District entered into a capitalized lease for the acquisition of copiers. The lease meets the criteria of a capital lease as defined by GASB.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the general fund. Principal payments in the fiscal year 2014 totaled \$6,308. The capital lease was paid in full during fiscal year 2014.

NOTE 11 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2014 were as follows:

	Balance Outstanding <u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/14</u>	Amounts Due in <u>One Year</u>
General Obligation Bonds:					
2011 Refunding Bonds:					
Current Interest Bonds	\$ 340,000	\$ -	\$ (35,000)	\$ 305,000	\$ 35,000
Capital Appreciation Bonds	15,000	-	-	15,000	-
Accreted Interest	7,638	4,490	-	12,128	-
Capital Lease	<u>6,308</u>	<u>-</u>	<u>(6,308)</u>	<u>-</u>	<u>-</u>
Total long-term obligations, General Obligation Bonds	<u>\$ 368,946</u>	<u>\$ 4,490</u>	<u>\$ (41,308)</u>	<u>\$ 332,128</u>	<u>\$ 35,000</u>

During fiscal year 2011, the District issued \$425,000 in refunding bonds for the purpose of repaying the classroom facilities improvement bonds issued in 2001. The refunding bonds consisted of \$410,000 in current interest bonds and \$15,000 in capital appreciation bonds. The interest bonds were issued for a thirteen year period with a final maturity in December 2024. The capital appreciation bonds will mature in 2019 and 2020.

The capital appreciation bonds, issued at \$15,000, are not subject to prior redemption. The maturity amount of the capital appreciation bonds is \$80,000. For fiscal year 2014, the capital appreciation bonds were accreted \$4,490 for a total accreted amount of \$12,128.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 35,000	\$ 10,186	\$ 45,186	\$ -	\$ -	\$ -
2016	35,000	9,329	44,329	-	-	-
2017	35,000	8,226	43,226	-	-	-
2018	35,000	7,124	42,124	-	-	-
2019	40,000	5,943	45,943	-	-	-
2020 - 2024	<u>125,000</u>	<u>18,806</u>	<u>143,806</u>	<u>15,000</u>	<u>65,000</u>	<u>80,000</u>
Total	<u>\$ 305,000</u>	<u>\$ 59,614</u>	<u>\$ 364,614</u>	<u>\$ 15,000</u>	<u>\$ 65,000</u>	<u>\$ 80,000</u>

The District's overall legal debt margin was \$1,831,457 with an unvoted debt margin of \$22,505 at June 30, 2014.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the NOECA, which is a computer consortium. NOECA is an association of forty-one public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Technology and Career Centers

The Vanguard-Sentinel Technology and Career Centers is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vanguard-Sentinel Technology and Career Centers at 1306 Cedar Street, Fremont, Ohio 43420.

NOTE 13 - INSURANCE PURCHASING POOL AND PUBLIC ENTITY SHARED RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

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

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 13 - INSURANCE PURCHASING POOL AND PUBLIC ENTITY SHARED RISK POOL (Continued)

North Central Ohio Joint Self-Insurance Association

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center and six local school districts - Tiffin, Old Fort, Bettsville, Seneca East, Mohawk and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts and the North Central Ohio Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 7 for further information on this public entity risk pool.

NOTE 14 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ 6,286
Current year set-aside requirement	28,739
Current year qualifying expenditures	(42,222)
Current year offsets	<u>(13,430)</u>
Total	<u>\$ (20,627)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

NOTE 15 - CONTINGENCIES

A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 15 – CONTINGENCIES (Continued)

B. Litigation

The District was party to legal proceedings seeking damages or injunctive relief generally incidental to its operations. The Old Fort Local School District settled this suit in December 2014. The District is involved in no other material litigation as either plaintiff or defendant.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund and the classroom facilities maintenance fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than assigned or committed fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

Net Change in Fund Cash Balance

	General Fund	Classroom Facilities Maintenance Fund
Cash basis	\$ 354,613	\$ 4,411
Funds budgeted elsewhere **	38	-
Adjustment for encumbrances	(2,050)	-
Budget basis	\$ 352,601	\$ 4,411

** In accordance with GASB Statement No. 54, "Fund Balance Reporting", the public school support fund is legally budgeted as a separate special revenue fund but is considered part of the general fund for reporting purposes.

NOTE 17 - SCHOOL DISTRICT INCOME TAX (SDIT)

The District passed a 1% SDIT for five years with collection beginning January, 1994. The SDIT was renewed in 1999, 2004 and 2007 (collection effective 2009). The 2007 renewal is set to expire in 2018. 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 District after withholding amounts for administrative fees and estimated refunds. The District collected \$225,153 during the fiscal year 2014.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 18 - FISCAL EMERGENCY

On February 6, 2014, the District was declared into fiscal emergency by the Auditor of State as defined by the Ohio Revised Code Section 3316.03(B)(3). The District had an anticipated deficit of \$775,000 at the time of declaration and received \$775,000 in proceeds from the state solvency assistance fund in fiscal year 2014. In accordance with the law, a five-member Financial Planning and Supervision Commission will be established to oversee the financial affairs of the District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management of their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction, and the Seneca County Auditor. The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the District must be in accordance with the plan.

The financial recovery plan must be developed by the Commission within 120 days of its first meeting. The District merged with a neighboring District, the Old Fort Local District, effective July 1, 2014 and was removed from fiscal emergency at that time.

NOTE 19 - GOVERNMENT MERGER

On June 24, 2014, the Governing Board of North Central Ohio Educational Service Center passed a resolution to transfer all of the territory of Bettsville Local District to Old Fort Local District effective June 30, 2014. The financial reporting of the combined entity, Old Fort Local District, will be effective on July 1, 2014 which is the beginning of the continuing governments reporting period. Bettsville Local School District's Board of Education was dissolved upon the merger, except for two Board of Education Members, who will sit in on Old Fort Local School District's meetings.

NOTE 20 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be report as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 2,050
Other nonmajor governmental	<u>229</u>
Total	<u>\$ 2,279</u>

This page intentionally left blank.



Dave Yost • Auditor of State

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

Bettsville Local School District
Seneca County
7635 North County Road 51
P.O. Box 64
Old Fort, Ohio 44861-0064

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bettsville Local School District, Seneca County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District was declared in fiscal emergency by the Auditor of State on February 6, 2014 and the District merged with Old Fort Local School District on July 1, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-002 and 2014-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-003.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

March 17, 2015

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2014-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of Stat has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

The District prepared its financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures, that while material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District.

We recommend the District prepare its financial statements in accordance with generally accepted accounting principles.

FINDING NUMBER 2014-002

Material Weakness

Bank Reconciliations

Bank reconciliations should be performed monthly and reviewed and approved by someone other than the preparer. Reconciliations were performed each month, but our testing noted the following errors at June 30, 2014:

	Original Reconciliation	Corrected Reconciliation	Variance
Outstanding checks	\$ (9,844.11)	\$ (9,844.11)	\$ -
Payroll outstanding checks	-	(54,657.45)	(54,657.45)
Additional fund needed to cover payroll	(22,523.29)	-	22,523.29
Board medicare 6/30/14	(708.53)	-	708.53
Federal tax payment	-	(4,463.36)	(4,463.36)
Athletic account	750.00	-	(750.00)
Athletic unrecorded expenditures	-	855.00	855.00
Board approved adjustment to reconcile	-	(225.13)	(225.13)
Bank fees not posted	-	201.50	201.50
Bank interest not posted	-	(9.14)	(9.14)
Other differences	-	1,855.79	1,855.79
	\$ (32,325.93)	\$ (66,286.90)	\$ (33,960.97)

FINDING NUMBER 2014-002 (Continued)

Failure to complete accurate bank reconciliations could result in funds being lost, stolen, or improperly posted without detection. We recommend the District prepare accurate reconciliations and have them reviewed and approved by someone other than the preparer.

FINDING NUMBER 2014-003

Noncompliance Citation / Material Weakness

Ohio Rev. Code § 5705.10(B), provides all revenue derived from general or special levies for debt charges, whether within or in excess of the ten-mill limitation, which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, shall be paid into the bond retirement fund.

The District posted \$11,195 of bond retirement levy monies into the general fund and \$1,048 bond retirement PPT Loss Reimbursement was posted to the permanent improvement fund.

Ohio Rev. Code § 5705.10(C), provides all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

The District posted \$4,534 of classroom facilities maintenance fund tax levy monies into the general fund.

Personal Property Tax Loss Reimbursement revenues were overstated in the permanent improvement and classroom facilities and maintenance fund by \$1,461 and \$487 and understated in the bond retirement and agency funds by \$1,048 and \$900, respectively.

Also, the Fixed Rate Reimbursement allocation by levy posted \$76 to the general fund instead of the agency fund.

The accompanying financial statements and accounting records have been adjusted to correct these errors.

The District should adopt policies and procedures to ensure the District's financial statements and notes to the statements are complete and accurate, including a final review of the annual report by the Treasurer and Board of Education to identify and correct errors, omissions, and misclassifications.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Admin. Code § 117-2-03(B), for reporting on a basis other than generally accepted accounting principles.	No	Not Corrected. Repeated in this report as finding 2014-001.
2013-002	Finding for Recovery for used vacation leave.	Yes	
2013-003	Ohio Rev. Code § 5705.10(H) for deficit fund balances.	No	Finding no longer valid since the District is in fiscal emergency.
2013-004	Material Weakness over financial reporting due to errors noted in the financial statements.	No	Partially Corrected. Repeated in the Management Letter.
2013-005	Ohio Rev. Code § 5705.41(B) for expenditures exceeding appropriations.	No	Finding no longer valid since the District is in fiscal emergency.
2013-006	OMB Circular A-133 Section .310(b), Subpart C, Section.300(a) and 2 CFR Section 176.210(b) due to errors noted in the Federal Schedule.	No	Partially Corrected. Repeated in the Management Letter.

This page intentionally left blank.



Dave Yost • Auditor of State

BETTSVILLE LOCAL SCHOOL DISTRICT

SENECA 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
MARCH 31, 2015**