

**BETTSVILLE LOCAL
SCHOOL DISTRICT
SENECA COUNTY, OHIO**

*GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 1999*

TRIMBLE, JULIAN & GRUBE, INC.

TJG

**BETTSVILLE LOCAL
SCHOOL DISTRICT
SENECA COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 1999***

**KAREN J. BOTZKO, TREASURER
TRIMBLE, JULIAN & GRUBE, INC.**

TJG

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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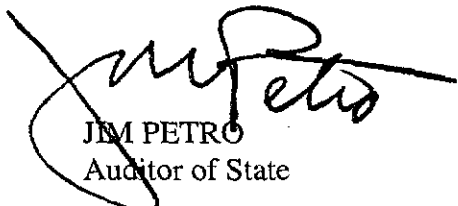
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Board of Education
Bettsville Local School District
Bettsville, Ohio

We have reviewed the Independent Auditor's Report of the Bettsville Local School District, Seneca County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Bettsville Local School District is responsible for compliance with these laws and regulations.


JIM PETRO
Auditor of State

January 3, 2000

TRIMBLE, JULLAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 WORTHINGTON WOODS BOULEVARD
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Independent Auditor's Report

Board of Education
Bettsville Local School District
118 Washington Street
Bettsville, Ohio 44815

We have audited the accompanying general purpose financial statements of the Bettsville Local School District, Seneca County, (the "District") as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bettsville Local School District, Seneca County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
November 5, 1999

BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999

| | Governmental Fund Types | | | | Proprietary Fund Type | Fiduciary Fund Type | Account Groups | | | Total (Memorandum Only) | | |
|--|-------------------------|-----------------|------------------|------------------|-----------------------|---------------------|----------------|--------------------|------------------|-------------------------|-----------|-------------|
| | General | Special Revenue | Debt Service | Capital Projects | | | Enterprise | Agency | General | | Long-Term | Obligations |
| | | | | | | | | | Fixed Assets | | | |
| ASSETS AND OTHER DEBITS | | | | | | | | | | | | |
| ASSETS: | | | | | | | | | | | | |
| Equity in pooled cash and cash equivalents | \$33,338 | \$40,758 | \$57,889 | \$142,904 | \$12,387 | \$15,015 | | | | \$302,291 | | |
| Cash with fiscal agent | 143,482 | | | | | | | | | 143,482 | | |
| Investments | 129,063 | | 131,959 | | | | | | | 261,022 | | |
| Receivables (net of allowances of uncollectibles): | | | | | | | | | | | | |
| Taxes - current & delinquent | 380,690 | | 51,709 | | | | | | | 432,399 | | |
| Accounts | | 105 | | | | | | | | 105 | | |
| Accrued interest | 591 | | | 104 | | | | | | 695 | | |
| Due from other governments | 1,023 | | | | | | | | | 1,023 | | |
| Prepayments | 7,283 | | | | 50 | | | | | 7,333 | | |
| Materials and supplies inventory | 10,585 | | | | 5,149 | | | | | 15,734 | | |
| Restricted assets: | | | | | | | | | | | | |
| Equity in pooled cash and cash equivalents | 23,281 | | | | | | | | | 23,281 | | |
| Property, plant and equipment (net of accumulated depreciation where applicable) | | | | | | | | \$3,523,871 | | 3,535,768 | | |
| OTHER DEBITS: | | | | | | | | | | | | |
| Amount available in debt service fund | | | | | | | | | \$195,125 | 195,125 | | |
| Amount to be provided for retirement of general long-term obligations | | | | | | | | | 231,072 | 231,072 | | |
| Total assets and other debits | \$729,336 | \$40,863 | \$241,557 | \$143,008 | \$29,483 | \$15,015 | | \$3,523,871 | \$426,197 | \$5,149,330 | | |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BETTSVILLE LOCAL SCHOOL DISTRICT
 SENECA COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999

| | Governmental Fund Types | | | | Proprietary Fund Type | Fiduciary Fund Type | Account Groups | | Total (Memorandum Only) | | |
|--|-------------------------|--------------------|------------------|---------------------|--------------------------|------------------------|------------------|--------------------|-------------------------------|---------|-------------|
| | General | Special Revenue | Debt Service | Capital Projects | | | Enterprise | Agency | | General | Long-Term |
| | | | | | | | | | | Assets | Obligations |
| LIABILITIES, EQUITY AND OTHER CREDITS | | | | | | | | | | | |
| LIABILITIES: | | | | | | | | | | | |
| Accounts payable | \$2,858 | \$504 | | | | | | | \$3,362 | | |
| Accrued wages and benefits | 147,663 | 5,016 | | | \$5,589 | | | | 158,268 | | |
| Compensated absences payable | 9,239 | | | | 3,374 | | \$66,032 | | 78,645 | | |
| Pension obligation payable | 19,554 | 1,656 | | | 3,286 | | 15,158 | | 39,654 | | |
| Deferred revenue | 277,512 | | \$45,117 | | 3,886 | | | | 326,515 | | |
| Due to students | | | | | | \$15,015 | | | 15,015 | | |
| Accrued interest payable | | | 1,315 | | | | | | 1,315 | | |
| General obligation bond payable | | | | | | | 220,000 | | 220,000 | | |
| Note payable | | | | | | | 123,537 | | 123,537 | | |
| Obligation under capital lease | | | | | | | 1,470 | | 1,470 | | |
| Total liabilities | 456,826 | 7,176 | 46,432 | | 16,135 | 15,015 | 426,197 | | 967,781 | | |
| EQUITY AND OTHER CREDITS: | | | | | | | | | | | |
| Investment in general fixed assets | | | | | | | | \$3,523,871 | 3,523,871 | | |
| Retained earnings: unreserved | | | | | 13,348 | | | | 13,348 | | |
| Fund balances: | | | | | | | | | | | |
| Reserved for encumbrances | 1,865 | 2,125 | | | | | | | 3,990 | | |
| Reserved for materials and supplies inventory | 10,585 | | | | | | | | 10,585 | | |
| Reserved for prepayments | 7,283 | | | | | | | | 7,283 | | |
| Reserved for debt service | | | 188,533 | | | | | | 188,533 | | |
| Reserved for tax revenue unavailable for appropriation | 40,544 | | 6,592 | | | | | | 47,136 | | |
| Reserved for textbooks | 1,500 | | | | | | | | 1,500 | | |
| Reserved for budget stabilization | 21,781 | | | | | | | | 21,781 | | |
| Unreserved-undesignated | 188,952 | 31,562 | \$143,008 | | | | | | 363,522 | | |
| Total equity and other credits | 272,510 | 33,687 | 195,125 | 143,008 | 13,348 | | 3,523,871 | | 4,181,549 | | |
| Total liabilities, equity and other credits | \$729,336 | \$40,863 | \$241,557 | \$143,008 | \$29,483 | \$15,015 | \$426,197 | \$3,523,871 | \$5,149,330 | | |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

| | <u>Governmental Fund Types</u> | | | | Total (Memorandum Only) |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|-------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Revenues: | | | | | |
| From local sources: | | | | | |
| Taxes | \$384,720 | | \$203,952 | | \$588,672 |
| Tuition | 1,035 | | | | 1,035 |
| Earnings on investments | 37,081 | \$148 | | \$1,264 | 38,493 |
| Extracurricular | | 18,696 | | | 18,696 |
| Other local revenues | 15,689 | 3,064 | | 11,857 | 30,610 |
| Intergovernmental - State | 1,291,188 | 12,692 | 9,382 | 517,553 | 1,830,815 |
| Intergovernmental - Federal | | 66,781 | | | 66,781 |
| Total revenues | <u>1,729,713</u> | <u>101,381</u> | <u>213,334</u> | <u>530,674</u> | <u>2,575,102</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 780,849 | 21,029 | | | 801,878 |
| Special | 132,799 | 24,324 | | | 157,123 |
| Support services: | | | | | |
| Pupil | 87,507 | 3,638 | | 29,721 | 120,866 |
| Instructional staff | 15,892 | 2,101 | | 41,857 | 59,850 |
| Board of Education | 9,496 | | | | 9,496 |
| Administration | 211,033 | 10,365 | | | 221,398 |
| Fiscal | 106,831 | 117 | | | 106,948 |
| Operations and maintenance | 143,027 | 1,699 | | 39,191 | 183,917 |
| Pupil transportation | 74,449 | 305 | | | 74,754 |
| Extracurricular activities | 42,303 | 19,896 | | | 62,199 |
| Facilities acquisition and construction | | | | 296,740 | 296,740 |
| Debt service: | | | | | |
| Principal retirement | 3,934 | | 170,633 | | 174,567 |
| Interest and fiscal charges | 292 | | 28,331 | | 28,623 |
| Total expenditures | <u>1,608,412</u> | <u>83,474</u> | <u>198,964</u> | <u>407,509</u> | <u>2,298,359</u> |
| Excess of revenues over expenditures | <u>121,301</u> | <u>17,907</u> | <u>14,370</u> | <u>123,165</u> | <u>276,743</u> |
| Other financing sources (uses): | | | | | |
| Operating transfers in | | 1,690 | | | 1,690 |
| Operating transfers out | (7,836) | | | | (7,836) |
| Total other financing sources (uses) | <u>(7,836)</u> | <u>1,690</u> | | | <u>(6,146)</u> |
| Excess of revenues and other financing sources over expenditures and other sources (uses) | <u>113,465</u> | <u>19,597</u> | <u>14,370</u> | <u>123,165</u> | <u>270,597</u> |
| Fund balances, July 1 | 164,782 | 14,090 | 180,755 | 19,843 | 379,470 |
| Decrease in reserve for inventory | (5,737) | | | | (5,737) |
| Fund balances, June 30 | <u>\$272,510</u> | <u>\$33,687</u> | <u>\$195,125</u> | <u>\$143,008</u> | <u>\$644,330</u> |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BETTSVILLE LOCAL SCHOOL DISTRICT

SENECA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GRAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999

| | Total (Memorandum only) | | | | | | | | | | | |
|--|-------------------------|-----------|-----------------------------------|-----------------|----------|-----------------------------------|----------------|-----------|-----------------------------------|------------------|-----------|-----------------------------------|
| | General | | | Special Revenue | | | Debt Service | | | Capital Projects | | |
| | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| Revenues: | | | | | | | | | | | | |
| From local sources: | | | | | | | | | | | | |
| Taxes..... | \$337,450 | \$537,432 | (\$18) | | \$85,964 | \$85,962 | (\$2) | \$623,414 | \$623,394 | 1,600 | 1,035 | (\$565) |
| Tuition..... | 1,160 | 1,035 | (125) | | | | | 1,160 | 1,035 | 30,530 | 30,946 | 416 |
| Contributions..... | 29,200 | 29,637 | 437 | | \$149 | (\$14) | | \$1,167 | \$1,160 | 11,857 | 11,857 | 0 |
| Operating transfers in..... | 16,605 | 15,367 | (1,238) | | 21,895 | (645) | | 11,857 | 11,857 | 450,000 | 450,000 | 0 |
| Other local revenues..... | 1,292,360 | 1,291,280 | (1,080) | | 0 | 0 | (1) | 67,553 | 67,553 | 1,381,988 | 1,380,907 | (1,081) |
| Intergovernmental - State..... | | | | | | | | | | | | |
| Intergovernmental - Federal..... | | | | | | | | | | | | |
| Total revenues..... | 1,876,775 | 1,874,751 | (2,024) | | 95,347 | (659) | (3) | 530,577 | 530,570 | 2,601,423 | 2,598,730 | (2,693) |
| Expenditures: | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | |
| Instruction: | | | | | | | | | | | | |
| Regular..... | 861,956 | 806,038 | 55,918 | | 19,375 | 11,751 | | 893,082 | 825,413 | 169,517 | 162,502 | 67,669 |
| Special..... | 151,053 | 139,348 | 11,705 | | 23,154 | (4,690) | | 169,517 | 162,502 | 74,485 | 74,485 | 0 |
| Support services: | | | | | | | | | | | | |
| Pupil..... | 97,827 | 82,014 | 15,813 | | 3,640 | 2,130 | | 28,227 | 29,721 | 131,824 | 121,375 | 10,449 |
| Instructional staff..... | 36,387 | 32,627 | 3,760 | | | | | 33,505 | 41,858 | 69,892 | 74,485 | (4,593) |
| Board of Education..... | 11,563 | 9,520 | 2,043 | | | | | 11,563 | 11,563 | 9,520 | 9,520 | 0 |
| Administration..... | 201,618 | 205,079 | (3,461) | | 9,458 | (4,789) | | 286,287 | 214,537 | 107,558 | 110,994 | (3,436) |
| Fiscal..... | 187,305 | 110,994 | 76,311 | | 253 | 253 | | 187,558 | 182,225 | 78,758 | 76,143 | 2,615 |
| Operations and maintenance..... | 138,407 | 145,131 | (6,724) | | 1,699 | (1,699) | | 43,818 | 36,928 | 78,758 | 76,143 | 2,615 |
| Pupil transportation..... | 78,758 | 76,143 | 2,615 | | 586 | 0 | | 586 | 586 | 71,267 | 71,267 | 0 |
| Central..... | 64,158 | 51,375 | 12,783 | | 19,892 | (5,423) | | 291,766 | 296,739 | 74,627 | 71,267 | 3,360 |
| Extracurricular activities..... | | | | | | | | | | | | |
| Facilities acquisition & construction..... | | | | | | | | | | | | |
| Debt service: | | | | | | | | | | | | |
| Principal retirement..... | 37,684 | 115,633 | (77,949) | | 55,184 | 55,000 | 184 | 92,868 | 170,633 | 28,788 | 28,623 | 165 |
| Interest and fiscal charges..... | 11,044 | 10,879 | 165 | | 17,744 | 17,744 | 0 | 28,788 | 28,623 | 2,339,341 | 2,345,989 | (6,648) |
| Total expenditures..... | 1,793,760 | 1,790,781 | 2,979 | | 75,337 | (1,881) | 184 | 397,316 | 405,246 | 7,937 | (7,937) | 7,937 |
| Excess of revenues over (under) expenditures..... | 83,015 | 83,970 | 955 | | 23,387 | (2,540) | 181 | 133,261 | 125,324 | 262,082 | 252,741 | 9,341 |
| Other financing sources (uses): | | | | | | | | | | | | |
| Refund of prior year's expenditures..... | 352 | 352 | 0 | | 1,566 | 1,690 | 124 | 352 | 352 | 1,566 | 1,690 | 124 |
| Operating transfers in..... | (6,240) | (7,836) | (1,596) | | | | | (6,240) | (6,240) | (6,240) | (7,836) | (1,596) |
| Operating transfers (out)..... | (5,888) | (7,484) | (1,596) | | 1,566 | 1,690 | 124 | (5,888) | (7,484) | (5,888) | (7,484) | (1,596) |
| Total other financing sources (uses)..... | | | | | | | | | | | | |
| Excess of revenues and other financing sources over (under) expenditures and other financing (uses)..... | 77,127 | 76,486 | (641) | | 24,953 | (2,416) | 181 | 133,261 | 125,324 | 257,760 | 246,947 | (10,813) |
| Fund balances, July 1..... | 96,194 | 96,194 | 0 | | 15,592 | 15,592 | 0 | 296,614 | 296,614 | 8,864 | 8,864 | 0 |
| Prior year encumbrances appropriated..... | 8,864 | 8,864 | 0 | | | | | 8,864 | 8,864 | | | |
| Fund balances, June 30..... | \$182,185 | \$181,544 | (641) | | \$40,545 | (\$641) | \$181 | \$150,840 | \$142,900 | \$563,238 | \$552,425 | (\$10,813) |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999

| | Proprietary Fund Type |
|--|--------------------------|
| | Enterprise |
| Operating revenues: | |
| Sales/charges for services | \$53,574 |
| Other operating revenues | 1,875 |
| Total operating revenues | 55,449 |
| Operating expenses: | |
| Personal services | 41,815 |
| Contract services | 972 |
| Materials and supplies. | 50,413 |
| Depreciation. | 2,744 |
| Other. | 2,756 |
| Total operating expenses. | 98,700 |
| Operating loss | (43,251) |
| Nonoperating revenues: | |
| Operating grants | 26,273 |
| Federal commodities. | 14,087 |
| Interest revenue | 75 |
| Total nonoperating revenues | 40,435 |
| Net loss before operating transfers. | (2,816) |
| Operating transfers in. | 6,146 |
| Net income. | 3,330 |
| Retained earnings, July 1. | 10,018 |
| Retained earnings, June 30 | \$13,348 |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999

| | Proprietary Fund Type |
|--|--------------------------|
| | Enterprise |
| Cash flows from operating activities: | |
| Cash received from sales/service charges | \$53,574 |
| Cash payments for personal services | (45,844) |
| Cash payments for contract services | (972) |
| Cash payments supplies and materials | (33,659) |
| Cash payments for other expenses | (2,756) |
| Net cash used in operating activities | (29,657) |
| Cash flows from noncapital financing activities: | |
| Cash received from operating grants | 26,273 |
| Cash received from transfers in | 6,146 |
| Net cash provided by noncapital financing activities | 32,419 |
| Cash flows from investing activities: | |
| Interest received | 75 |
| Net cash provided by investing activities | 75 |
| Net increase in cash and cash equivalents | 2,837 |
| Cash and cash equivalents at beginning of year | 9,550 |
| Cash and cash equivalents at end of year | \$12,387 |
| Reconciliation of operating loss to net cash used in operating activities | |
| Operating loss | (\$43,251) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation | 2,744 |
| Federal donated commodities | 14,087 |
| Changes in assets and liabilities: | |
| Decrease in materials and supplies inventory | 3,902 |
| Decrease in accrued wages & benefits | (4,903) |
| Increase in compensated absences payable | 1,770 |
| Decrease in pension obligation payable | (2,771) |
| Decrease in deferred revenue | (1,235) |
| Net cash used in operating activities | (\$29,657) |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Bettsville Local School 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 school districts and is organized under Section 2 and 3, Articles VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 607th largest by enrollment among the 612 districts in the State, and 7th in Seneca County. It currently operates an elementary school, a middle school, and comprehensive high school located in one central building. The District employs 15 non-certified and 22 certified employees to provide services to 365 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District.

PUBLIC ENTITY RISK POOLS:

Seneca County Joint Insurance Trust ("Association")

This organization is an insurance pool between the Seneca/Wyandot Educational Service Center, the Sandusky County Educational Service Center, and five local school districts: Tiffin, Old Fort, Bettsville, Seneca East and New Riegel. The Association was established pursuant to ORC Section 9.833 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 educational service centers. The North Central Ohio Educational Service Center acts as fiscal agent. Refer to Note 13 for further information on this public entity risk pool.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

Ohio School Boards Association Workers' Compensation Group Rating Program (GRP)

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. Refer to Note 13 for further information on this group rating plan.

JOINT VENTURE WITHOUT EQUITY INTEREST:

Northern Ohio Educational Computer Association (NOECA)

NOECA is a joint venture among 41 school districts. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. NOECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in NOECA as the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from Betty Schwiefert, treasurer for the Erie County Educational Service Center, who serves as fiscal agent, at 2900 S. Columbus Avenue, Sandusky, Ohio 44870-5569.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

GOVERNMENTAL FUNDS

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

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund type:

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SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. At June 30, 1999, there were no accruals for the agency fund which, in other fund types, would be recognized on the combined balance sheet.

ACCOUNT GROUPS

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

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

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

C. Measurement Focus/Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

D. Budgets

The District is required by State statute to adopt an annual appropriation cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

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

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

3. Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation measure to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 1999.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting and disclosure of the encumbrances outstanding for proprietary fund types at fiscal year end and Note 14 discloses the encumbrances outstanding for the enterprise funds.

E. Cash and Investments

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

During fiscal year 1999, investments were limited to certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices (methods and significant assumptions used to estimate the fair value of investments). Nonparticipating investment contracts such as certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal year 1999, interest revenue credited to the general fund amounted to \$37,081, which includes \$24,710 assigned from other District funds. Interest revenue credited to the SchoolNet capital projects fund amounted to \$757, which includes \$385 assigned from other District funds.

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

An analysis of the District's investment account at year end is provided in Note 4.

F. Inventory

Inventories for all governmental funds are valued at cost (*first-in/first-out method*). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (*first-in/first-out method*) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayment is not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District does not include infrastructure in the general fixed assets account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

| <u>Asset</u> | <u>Life (years)</u> |
|--|---------------------|
| Buildings | 25 - 50 |
| Furniture, fixtures and minor equipment | 5 - 20 |
| Vehicles | 4 - 6 |

I. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Management Information Systems

Title VI

Title I

Title VI-B

Teacher Development

Textbook/Instructional Material Subsidy

Eisenhower

Drug Free

Telecommunications Act Grant

Performance Incentive

Capital Projects Funds

Technology Equity

SchoolNet

Telecommunity

Emergency School Building Repair

Reimbursable Grants

General Fund

Driver Education

School Bus Purchases

Enterprise Funds

National School Lunch Program

Government Donated Commodities

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

Grants and entitlements amounted to approximately 75% of the District's operating revenue during the 1999 fiscal year.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences," a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

K. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation, textbooks and budget stabilization. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

M. Interfund Transactions

During the course of normal operations, the District had numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

An analysis of interfund transactions is presented in Note 5.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve and textbook reserve. These reserves are required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. A schedule of statutory reserves is presented in Note 19.

O. Estimates

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

P. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 1999 included the following fund deficits:

| | <u>Deficit Balance</u> |
|--------------------------------|------------------------|
| <u>Special Revenue Funds</u> | |
| Management Information Systems | \$ (828) |
| Title I | (1,440) |

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end. These deficit balances are caused by the application of GAAP, namely in the reporting of a liability for accrued wages and retirement obligations attributable to the fiscal year. These deficits will be eliminated by intergovernmental revenues and other subsidies not recognized at June 30.

B. Compliance

In accordance with Ohio Revised Code Section 5705.41 the following funds had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 1999:

| <u>Fund Type</u> <u>Fund</u> | <u>Appropriations</u> | <u>Expenditures</u> <u>Plus Encumbrances</u> | <u>Excess</u> |
|---------------------------------|-----------------------|---|---------------|
| <u>Special Revenue Funds</u> | | | |
| Professional Development | \$ 4,206 | \$ 5,749 | \$1,543 |
| EMIS | 9,333 | 9,458 | 125 |
| Performance Incentive Grant | 8,000 | 9,045 | 1,045 |
| Title I | 10,079 | 10,326 | 247 |
| <u>Capital Projects Funds</u> | | | |
| SchoolNet | \$ 29,706 | \$ 29,721 | \$ 15 |
| Emergency School Repair | 318,023 | 326,034 | 8,011 |

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents" and "Investments". Statutes require the classification of 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.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

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

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.

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 or 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;

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued).

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days 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 instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Deposits: At year end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$574,266 and the bank balance, including non-negotiable certificates of deposit, was \$645,829. Of the bank balance:

1. \$138,759 was covered by federal depository insurance.
2. \$507,070 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money has been followed, non compliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of other states.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Cash with fiscal agent: At June 30, 1999, the District had \$143,482 in cash held by the Ohio Mid-Eastern Regional Education Service Agency which is included on the balance sheet as "Cash with Fiscal Agent".

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

The District had an investment of \$12,328 in STAR Ohio at June 30, 1999. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

**BETTSVILLE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

| | <u>Cash and Cash Equivalents/Deposits</u> | <u>Investments</u> |
|---|---|--------------------|
| GASB Statement No. 9 | \$ 469,054 | \$ 261,022 |
| Investments of the cash management pool: | | |
| Investment in STAR Ohio | (12,328) | 12,328 |
| Certificate of deposit | 261,022 | (261,022) |
| Cash with fiscal agent | <u>(143,482)</u> | <u>---</u> |
| GASB Statement No. 3 | <u>\$ 574,266</u> | <u>\$ 12,328</u> |

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 1999:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|----------------------------------|---------------------|----------------------|
| General Fund | \$ --- | \$7,836 |
| <u>Special Revenue Fund</u> | | |
| Management Information System | 1,690 | --- |
| <u>Enterprise Fund</u> | | |
| Preschool | <u>6,146</u> | <u>---</u> |
| Totals | <u>\$7,836</u> | <u>\$7,836</u> |

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1998 taxes were collected was \$14,617,797. Agricultural/Residential and public utility real estate represented 62.55% or \$9,143,770 of this total; Commercial and Industrial real estate represented 15.43% or \$2,255,310 of this total, public utility tangible represented 0.24% or \$35,300 of this total and general tangible property represented 21.78% or \$3,183,417 of this total. The voted general tax rate at the fiscal year ended June 30, 1999 was \$32.00 per \$1,000.00 of assessed valuation for operations and \$6.30 per \$1,000.00 of assessed valuation for debt service.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The Seneca County Treasurer collects property tax on behalf of the District. The Seneca County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$47,136 was available to the District as an advance at June 30, and is recognized as revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to fiscal year end.

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The voters of the District renewed a 1% school district income tax at the November 3, 1998 election and became effective January 1, 1999. This tax is in effect for 5 years. School district income tax revenue received by the general fund during fiscal year 1999 was \$181,554.

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accrued interest, intergovernmental state grants and accounts (student fees and tuition). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. All receivables are considered collectible in full, due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the principal items of receivables follows:

| | <u>Amounts</u> |
|------------------------------|----------------|
| <u>General Fund</u> | |
| Taxes - current & delinquent | \$380,690 |
| <u>Debt Service Fund</u> | |
| Taxes - current & delinquent | 51,709 |

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 9 - FIXED ASSETS

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

| | <u>Balance July 1, 1998</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance June 30, 1999</u> |
|----------------------------|---------------------------------|------------------|-------------------|----------------------------------|
| Land/ Improvements | \$ 113,595 | \$ --- | \$ --- | \$ 113,595 |
| Buildings/ Improvements | 2,076,826 | 296,437 | --- | 2,373,263 |
| Furniture/ Equipment | 791,875 | 97,008 | (36,451) | 852,432 |
| Vehicles | <u>184,581</u> | --- | --- | <u>184,581</u> |
| Total | <u>\$3,166,877</u> | <u>\$393,445</u> | <u>\$(36,451)</u> | <u>\$3,523,871</u> |

There was no significant construction in progress at June 30, 1999.

A summary of the proprietary fixed assets at June 30, 1999 follows:

| | |
|--------------------------------|-----------------|
| Furniture and equipment | \$71,565 |
| Less: accumulated depreciation | (59,668) |
| Net fixed assets | <u>\$11,897</u> |

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District entered into capital lease agreements for two copiers and lighting equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the governmental fund types. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception.

A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 1999 fiscal year totaled \$3,934. This amount is reflected as debt service principal retirement in the general fund.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is an analysis of the equipment under capital lease as of June 30, 1999:

| | General Fixed Assets |
|----------------|-------------------------|
| Equipment | \$34,638 |
| Carrying value | \$34,638 |

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 1999:

| | <u>General Long-Term Obligation</u> |
|---|-------------------------------------|
| Year Ending June 30 | <u>Copier</u> |
| 2000 | <u>\$1,500</u> |
| Total minimum lease payments | 1,500 |
| Less: amount representing interest | <u>(30)</u> |
| Present value of future minimum lease payments | <u>\$1,470</u> |

The District does not have a capitalized lease obligation after fiscal year 2000.

NOTE 11 - LONG-TERM OBLIGATIONS

The current obligation bond and note outstanding, issued to provide funds for a building addition and improvements, is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to the bond and note are recorded as expenditures in the debt service fund.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

A. The following is a description of the District's bond and note outstanding as of June 30, 1999:

| | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>Bond/Note Outstanding July 1, 1998</u> | <u>Bond/Note Retired In 1999</u> | <u>Bond/Note Outstanding June 30, 1999</u> |
|-----------------------------|---------------------------|--------------------------|---|--|--|
| Building Facilities Bond | 6.37% | 12/1/02 | \$275,000 | \$ (55,000) | \$220,000 |
| H.B. 264 - Energy Note | 4.5% | 10/5/05 | <u>239,170</u> | <u>(115,633)</u> | <u>123,537</u> |
| | | | <u>\$514,170</u> | <u>\$(170,633)</u> | <u>\$343,537</u> |

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation debt:

| <u>Year Ending</u> | <u>Bond/Note</u> | <u>Principal on Bond/Note</u> | <u>Interest on Total</u> |
|--------------------|------------------|-----------------------------------|------------------------------|
| 2000 | \$ 92,050 | \$18,758 | \$110,808 |
| 2001 | 93,995 | 13,306 | 107,301 |
| 2002 | 96,043 | 7,752 | 103,795 |
| 2003 | <u>61,449</u> | <u>2,156</u> | <u>63,605</u> |
| Total | <u>\$343,537</u> | <u>\$41,972</u> | <u>\$385,509</u> |

C. During the year ended June 30, 1999, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligations will be paid from the fund in which the employee was paid.

| | <u>Balance July 1, 1998</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance June 30, 1999</u> |
|------------------------------------|---------------------------------|-----------------|--------------------|----------------------------------|
| Compensated absences | \$ 61,920 | \$29,582 | \$ (25,470) | \$ 66,032 |
| Pension obligation payable | 14,921 | 15,158 | (14,921) | 15,158 |
| General obligation bond payable | 275,000 | --- | (55,000) | 220,000 |
| Note payable | 239,170 | --- | (115,633) | 123,537 |
| Obligation under capital lease | <u>5,404</u> | <u>---</u> | <u>(3,934)</u> | <u>1,470</u> |
| Total | <u>\$596,415</u> | <u>\$44,740</u> | <u>\$(214,958)</u> | <u>\$426,197</u> |

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$1,290,727 and an unvoted debt margin of \$14,618.

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Administrative, teachers and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to 195 days for teachers and classified employees and 210 days for administrative employees. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation to a converted maximum of forty-eight days for teachers and classified employees and fifty-two and one-half days for administrative employees.

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

| <u>Limits of Coverage</u> | <u>Insurer</u> | <u>Coverage</u> | <u>Deductible</u> |
|-------------------------------|-------------------|-----------------|-------------------|
| General liability: | Harcum-Hyre | \$ 2,000,000 | \$ 0 |
| Each occurrence | | \$ 5,000,000 | \$ 0 |
| Aggregate | | | |
| Building and contents | Indiana Insurance | \$ 5,434,357 | \$ 1,000 |
| Fleet: | | | |
| Combined liability | Auto Owners | \$ 1,000,000 | \$ 0 |
| Underinsured/uninsured | Mutual Insurance | \$ 1,000,000 | \$ 0 |
| motorist | | Carrying Value | \$50 |
| Collision | | | |
| Boiler and machinery | Indiana Insurance | \$ 500,000 | \$ 500 |

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 13 - RISK MANAGEMENT (Continued)

B. Health Insurance

The District joined together with other area school districts to form the Seneca County Joint Insurance Trust, a public entity risk pool for seven member school districts. The risk of loss transfers entirely to the pool. The pool is self-sustaining through member premiums. The District paid a monthly premium to the pool for health insurance. The format on agreement 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 per participating employee.

C. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). 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 Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his/her designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and preschool. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 1999.

| | <u>Food Service</u> | <u>Preschool</u> | <u>Total</u> |
|---|-------------------------|------------------|--------------|
| Operating revenue | \$53,574 | \$1,875 | \$55,449 |
| Operating expenses before depreciation | 95,821 | 135 | 95,956 |
| Depreciation | 2,744 | --- | 2,744 |
| Operating income (loss) | (44,991) | 1,740 | (43,251) |
| Operating transfers in | --- | 6,146 | 6,146 |
| Operating grants | 26,273 | --- | 26,273 |
| Federal donated commodities | 14,087 | --- | 14,087 |
| Net income (loss) | (4,556) | 7,886 | 3,330 |
| Net working capital | 5,747 | --- | 5,747 |
| Total assets | 29,483 | --- | 29,483 |
| Total liabilities | 16,135 | --- | 16,135 |
| Total equity | 13,348 | --- | 13,348 |
| Encumbrances | --- | --- | --- |

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$30,213, \$32,442, and \$39,590, respectively; 43 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$17,106, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$114,277, \$117,457, and \$111,360, respectively; 86 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$16,296, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

NOTE 16 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$65,301 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219.224 million and STRS had 91,999 eligible benefit recipients.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111.9 million and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$18,037 during the 1999 fiscal year.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | | | | |
|--|------------------|----------------------------|-------------------------|----------------------------|
| Governmental Fund Types | | | | |
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Project</u> |
| Budget basis | \$ 76,486 | \$22,537 | \$22,600 | \$125,324 |
| Net adjustment for revenue accruals | (145,038) | 3,316 | 117,990 | 104 |
| Net adjustment for expenditure accruals | 178,230 | (8,885) | (126,220) | (2,263) |
| Net adjustment for other financing sources (uses) | (352) | --- | --- | --- |
| Encumbrances (budget basis) | <u>4,139</u> | <u>2,629</u> | <u>---</u> | <u>---</u> |
| GAAP basis | <u>\$113,465</u> | <u>\$19,597</u> | <u>\$14,370</u> | <u>\$123,165</u> |

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 18 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

B. Litigation

The District is not involved in litigation as either plaintiff or defendant.

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$926,508 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 18 - CONTINGENCIES - (Continued)

As of the date of these financial statements, the District is unable to determine the effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 19 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>Budget Stabilization</u> | <u>Totals</u> |
|--|------------------|--------------------------------|---------------------------------|-----------------|
| Set-aside cash balance as of June 30, 1998 | \$ 0 | \$ 0 | \$9,214 | \$9,214 |
| Current year set-aside requirement | 25,193 | 25,193 | 12,567 | 62,953 |
| Current year offsets | (4,632) | --- | --- | (4,632) |
| Qualifying disbursements | <u>(19,061)</u> | <u>(25,193)</u> | <u>---</u> | <u>(44,254)</u> |
| Total | <u>\$ 1,500</u> | <u>\$ 0</u> | <u>\$21,781</u> | <u>\$23,281</u> |
| Cash balance carried forward to FY 2000 | <u>\$ 1,500</u> | <u>\$ 0</u> | <u>\$21,781</u> | <u>\$23,281</u> |

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 1999 follows:

| | |
|--|-----------------|
| Amount restricted for budget stabilization | \$21,781 |
| Amount restricted for textbooks | <u>1,500</u> |
| Total restricted assets | <u>\$23,281</u> |

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 20 - YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal year 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, fixed assets accounting and educational statistics reporting.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits, the State of Ohio Equipment Inventory System for its fixed assets accounting and the State of Ohio Education Management and Information System (EMIS) for its education statistics reporting. The State is responsible for remediating these systems.

The Ohio Department of Education, Division of Information Management Services, State Software Development Team has addressed the status of the OECN State Software in regards to the compliance requirements for the Year 2000. Their assessment is as follows:

- The payroll processing software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1997 release of USPS V4.0.
- The accounting software supported with the OECN State Software is compliant with the Year 2000 beginning with the June 1998 release of USAS V6.1.
- The equipment inventory and vehicle inventory system software supported with the OECN State Software is compliant with the Year 2000 beginning with the March 1999 release of SAS V2.0.
- The education management information system software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1998 release of EMIS V1.7.

**BETTSVILLE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 20 - YEAR 2000 ISSUE - (Continued)

Seneca County collects property taxes for distribution to the District. Seneca County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of basic state aid "school foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

NOTE 21 - SUBSEQUENT EVENT

Subsequent to the balance sheet date, on November 2, 1999 voters approved a bond issue and tax levy. A total of 3.50 mills were approved which consists of a 3.00 mill bond issue for building renovations and additions and a 0.5 mill tax levy for maintenance.

TRIMBLE, JULLAN & GRUBE, INC.

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

Board of Education
Bettsville Local School District
118 Washington Street
Bettsville, Ohio 44815

We have audited the general purpose financial statements of Bettsville Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated November 5, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bettsville Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-49692-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bettsville Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Bettsville Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 1999-49692-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Bettsville Local School District in a separate letter dated November 5, 1999.

This report is intended for the information and use of the management and Board of Education of Bettsville Local School District, Seneca County, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
November 5, 1999

SCHEDULE OF FINDINGS

Bettsville Local School District
Seneca County
June 30, 1999

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

| | |
|----------------|----------------|
| Finding Number | 1999-49692-001 |
|----------------|----------------|

Ohio Revised Code Section 5705.41 requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the District had expenditures plus encumbrances in excess of appropriations in the following funds:

| <u>Fund Type</u> <u>Fund</u> | <u>Appropriations</u> | <u>Expenditures</u> <u>Plus Encumbrances</u> | <u>Excess</u> |
|---------------------------------|-----------------------|---|---------------|
| <u>Special Revenue Funds</u> | | | |
| Professional Development | \$ 4,206 | \$ 5,749 | \$1,543 |
| EMIS | 9,333 | 9,458 | 125 |
| Performance Incentive Grant | 8,000 | 9,045 | 1,045 |
| Title I | 10,079 | 10,326 | 247 |
| <u>Capital Projects Funds</u> | | | |
| SchoolNet | \$ 29,706 | \$ 29,721 | \$ 15 |
| Emergency School Repair | 318,023 | 326,034 | 8,011 |

With expenditures plus encumbrances exceeding appropriations, the District is unlawfully expending monies that have not been approved.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continued basis and making appropriation amendments as necessary.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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.

By: Susan Babbitt

Date: JANUARY 13, 2000