

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

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

KAREN J. BOTZKO, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398
www.auditor.state.oh.us

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

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, 2000 through June 30, 2001. 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

November 8, 2001

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

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TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

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, Ohio, as of and for the fiscal year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Bettsville Local School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

As disclosed in Note 3 to the general purpose financial statements, the Bettsville Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions for the fiscal year ended June 30, 2001.

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, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2001 on our consideration of the Bettsville Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Trimble, Julian & Grube, Inc.
October 18, 2001

BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)			
	General	Special Revenue	Debt Service			Capital Projects	Enterprise		Agency	General Fixed Assets	Long-Term Obligations
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash and cash equivalents	\$294,791	\$132,495	\$196,524	\$3,473,123	\$109	\$21,382		\$4,118,424			
Cash with fiscal agent	158,539							158,539			
Receivables (net of allowances of uncollectibles):											
Taxes - current & delinquent	528,233	9,253	59,002					596,488			
Accounts	2,635							2,635			
Accrued interest	3,549							3,549			
Due from other governments		9,524						9,524			
Interfund loan receivable	10,000							10,000			
Prepayments	8,534			4,471	84			13,089			
Materials and supplies inventory	8,453				2,806			11,259			
Restricted assets:											
Equity in pooled cash and cash equivalents	56,638							56,638			
Property, plant and equipment (net of accumulated depreciation where applicable)					10,947		\$5,071,445	5,082,392			
OTHER DEBITS:											
Amount available in debt service fund							\$214,397	214,397			
Amount to be provided for retirement of general long-term obligations							566,620	566,620			
Total assets and other debits	<u>\$1,071,372</u>	<u>\$151,272</u>	<u>\$255,526</u>	<u>\$3,477,594</u>	<u>\$13,946</u>	<u>\$21,382</u>	<u>\$5,071,445</u>	<u>\$10,843,554</u>			

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, 2001

	Governmental Fund Types					Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise			Agency	General	Fixed Assets		Long-Term Obligations
LIABILITIES, EQUITY AND OTHER CREDITS												
LIABILITIES:												
Accounts payable	\$482	\$12		\$502,350							\$494	
Contracts payable		4,500			\$3,107						502,350	
Accrued wages and benefits	114,033				4,001			\$44,760			121,640	
Compensated absences payable	21,168				1,480			16,257			69,929	
Pension obligation payable	22,990	1,688			1,972						42,415	
Deferred revenue	323,513	6,869	\$41,129								373,483	
Due to other governments	3,134										3,134	
Due to students						\$21,382					21,382	
Interfund loan payable		10,000									10,000	
General obligation bonds payable								720,000			720,000	
Total liabilities	485,320	23,069	41,129	502,350	10,560	21,382		781,017			1,864,827	
EQUITY AND OTHER CREDITS:												
Investment in general fixed assets									\$5,071,445		5,071,445	
Retained earnings: unreserved					3,386						3,386	
Fund balances:												
Reserved for encumbrances	82,716	3,085									85,801	
Reserved for prepayments	8,534			4,471							13,005	
Reserved for materials and supplies inventory	8,453										8,453	
Reserved for debt service			204,414								204,414	
Reserved for tax revenue unavailable for appropriation	78,391	1,667	9,983								90,041	
Reserved for textbooks	10,287										10,287	
Reserved for capital acquisition	37,137										37,137	
Reserved for budget stabilization	9,214										9,214	
Designated for budget stabilization	25,390										25,390	
Unreserved-undesignated	325,930	123,451		2,970,773							3,420,154	
Total equity and other credits	586,052	128,203	214,397	2,975,244	3,386			5,071,445			8,978,727	
Total liabilities, equity and other credits	\$1,071,372	\$151,272	\$255,526	\$3,477,594	\$13,946	\$21,382		\$5,071,445	\$781,017		\$10,843,554	

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 FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$555,326	\$9,208	\$136,569	\$24,291	\$725,394
Tuition	168,828				168,828
Earnings on investments	62,338	150		83,554	146,042
Extracurricular		18,272			18,272
Other local revenues	32,624	10,384		235,892	278,900
Donations		33,000			33,000
Intergovernmental - State	1,278,398	26,004	8,666	2,915,924	4,228,992
Intergovernmental - Federal		188,904			188,904
Total revenues	2,097,514	285,922	145,235	3,259,661	5,788,332
Expenditures:					
Current:					
Instruction:					
Regular	831,497	104,862			936,359
Special	192,308	44,875			237,183
Support services:					
Pupil	68,092	6,330		29,485	103,907
Instructional staff	24,845	23,183			48,028
Board of Education	12,779				12,779
Administration	205,166	29,433			234,599
Fiscal	124,800	10,528			135,328
Operations and maintenance	148,125	737		9,056	157,918
Pupil transportation	70,927	11,112			82,039
Central	7,458				7,458
Community services		14,045			14,045
Extracurricular activities	60,442	18,075			78,517
Facilities acquisition and construction				1,408,934	1,408,934
Debt service:					
Principal retirement			136,041		136,041
Interest and fiscal charges			24,615	25,699	50,314
Total expenditures	1,746,439	263,180	160,656	1,473,174	3,643,449
Excess of revenues over/(under) expenditures	351,075	22,742	(15,421)	1,786,487	2,144,883
Other financing sources (uses):					
Operating transfers in		3,813		120,000	123,813
Operating transfers out	(123,813)				(123,813)
Premium and accrued interest on bonds sold				1,408	1,408
Proceeds from the sale of bonds				610,000	610,000
Total other financing sources (uses)	(123,813)	3,813		731,408	611,408
Excess of revenues and other financing sources over/(under) expenditures and other t	227,262	26,555	(15,421)	2,517,895	2,756,291
Fund balances, July 1	356,648	101,648	229,818	457,349	1,145,463
Increase in reserve for inventory	2,142				2,142
Fund balances, June 30	\$586,052	\$128,203	\$214,397	\$2,975,244	\$3,903,896

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-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$612,347	\$611,787	(\$560)	\$9,550	\$8,608	(\$942)	\$82,618	\$81,867	(\$751)						
Tuition.....	169,000	168,828	(172)												
Earnings on investments.....	48,600	52,284	3,684	593	149	(444)									
Extracurricular.....				18,840	18,272	(568)									
Other local revenues.....	23,981	24,784	803	953	860	(93)									
Donations.....				33,000	33,000	0									
Intergovernmental - State.....	1,286,628	1,278,848	(7,780)	25,651	26,004	353	8,672	8,666	(6)	2,920,914	2,915,924	(4,990)			
Intergovernmental - Federal.....				189,092	186,887	(2,205)									
Total revenues.....	2,140,556	2,136,531	(4,025)	277,679	273,780	(3,899)	91,290	90,533	(757)	3,241,381	3,235,370	(6,011)	5,750,906	5,736,214	(14,692)
Expenditures:															
Current:															
Instruction:															
Regular.....	869,787	843,056	26,731	172,557	101,523	71,034									
Special.....	206,861	202,759	4,102	46,506	44,759	1,747									
Support services:															
Pupil.....	72,528	67,029	5,499	8,037	6,791	1,246									
Instructional staff.....	23,413	24,494	(1,081)	28,233	21,817	6,416									
Board of Education.....	18,605	13,721	4,884												
Administration.....	214,040	204,295	9,745	25,019	29,283	(4,264)									
Fiscal.....	117,655	116,482	1,173	10,743	10,511	232									
Operations and maintenance.....	159,598	157,395	2,203	900	737	163									
Pupil transportation.....	145,984	130,419	15,565	10,937	10,937	0									
Central.....	7,500	7,458	42												
Community services.....	62,428	59,574	2,854	15,894	14,053	1,841									
Extracurricular activities.....				19,347	18,078	1,269									
Facilities acquisition and construction.....															
Debt service:															
Principal retirement.....	81,041	81,041	0				665,000	665,000	0						
Interest and fiscal charges.....	2,056	2,056	0				48,937	48,753	184						
Total expenditures.....	1,981,476	1,909,759	71,717	338,173	258,489	79,684	713,937	713,753	184	1,245,871	1,225,901	19,970	4,279,457	4,107,902	171,555
Excess (deficiency) of revenues over (under) expenditures.....	159,080	226,772	67,692	(60,494)	15,291	75,785	(622,647)	(623,220)	(573)	1,995,510	2,009,469	13,959	1,471,449	1,628,312	156,863
Other financing sources (uses):															
Refund of prior year's expenditure.....	6,514	6,514	0												
Refund of prior year's receipt.....				(935)	(935)	0									
Operating transfers in.....	20,000	20,000	0	3,813	3,813	0									
Operating transfers out.....	(143,800)	(143,813)	(13)	10,000	10,000	0									
Advances in.....															
Advances out.....	(10,000)	(10,000)	0												
Premium and accrued interest on bonds sold.....							1,408	1,408	0						
Proceeds from the sale of bonds.....							610,000	610,000	0						
Total other financing sources (uses).....	(127,286)	(127,299)	(13)	12,878	12,878	0	611,408	611,408	0	19,991	120,000	9	616,991	616,987	(4)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses.....	31,794	99,473	67,679	(47,616)	28,169	75,785	(11,239)	(11,812)	(573)	2,115,501	2,129,469	13,968	2,088,440	2,245,299	156,859
Fund balances, July 1.....	143,268	143,268	0	101,229	101,229	0	208,336	208,336	0	1,066,696	1,066,696	0	1,519,529	1,519,529	0
Prior year encumbrances appropriated.....	22,356	22,356	0	0	0	0	0	0	0	900	900	0	23,256	23,256	0
Fund balances, June 30.....	\$197,418	\$265,097	\$67,679	\$55,613	\$129,398	\$75,785	\$197,097	\$196,524	(\$573)	\$3,185,097	\$3,197,065	\$13,968	\$3,631,225	\$3,788,084	\$156,859

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 FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Sales/charges for services	\$58,518
Total operating revenues	58,518
Operating expenses:	
Personal services	44,887
Contract services	1,206
Materials and supplies.	47,782
Depreciation.	1,565
Other.	3,161
Total operating expenses.	98,601
Operating loss	(40,083)
Nonoperating revenues:	
Operating grants	22,849
Federal commodities	13,603
Interest revenue	7
Total nonoperating revenues	36,459
Net loss.	(3,624)
Retained earnings, July 1	7,010
Retained earnings, June 30	\$3,386

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 FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from sales/service charges	\$58,518
Cash payments for personal services	(45,873)
Cash payments for contract services	(1,240)
Cash payments for materials and supplies	(33,178)
Cash payments for other expenses	(3,161)
Net cash used in operating activities	(24,934)
Cash flows from noncapital financing activities:	
Cash received from operating grants	22,849
Net cash provided by noncapital financing activities.	22,849
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,696)
Net cash used in capital and related financing activities	(1,696)
Cash flows from investing activities:	
Interest received	7
Net cash provided by investing activities.	7
Net decrease in cash and cash equivalents	(3,774)
Cash and cash equivalents at beginning of year.	3,883
Cash and cash equivalents at end of year	\$109
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	(\$40,083)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation.	1,565
Federal donated commodities.	13,603
Changes in assets and liabilities:	
Decrease in materials and supplies inventory	2,922
Increase in prepayments	(34)
Decrease in accrued wages and benefits.	(1,765)
Decrease in compensated absences payable	(26)
Increase in pension obligation payable	805
Decrease in deferred revenue	(1,921)
Net cash used in operating activities	(\$24,934)

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 FISCAL YEAR ENDED JUNE 30, 2001**

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 622nd largest by enrollment among the 682 public and community school districts in the State, and 7th in Seneca County. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school located in one building. The District employs 9 non-certified and 21 certified employees to provide services to 338 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 FISCAL YEAR ENDED JUNE 30, 2001

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 12 for further information on the association.

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

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

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

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program was established as an insurance purchasing pool. The Group Rating Program is governed by a three-member Board of Directors. The Executive Director of the Ohio School Boards Association, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Group Rating Program to cover the costs of administering the program. Refer to Note 12 for further information on this group rating plan.

JOINTLY GOVERNED ORGANIZATION

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of 41 public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. The District paid \$16,920 to NOECA in fiscal year 2001 for services. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

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 FISCAL YEAR ENDED JUNE 30, 2001

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 are the District's governmental fund types:

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 FUND

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 District maintains the following proprietary fund type:

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

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

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

Enterprise Fund - The enterprise fund is 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 for other fund types (See Note 3.B).

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 account group 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 account group 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 FISCAL YEAR ENDED JUNE 30, 2001

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 60 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, 2001, and which are intended to finance fiscal 2002 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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

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

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

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.

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.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2001 is as follows:

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

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

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

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.
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 2001.
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 to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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 total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

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

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

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

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 2001.
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.

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 16 provides a reconciliation of the budgetary and GAAP basis of accounting and disclosure of the encumbrances outstanding for governmental fund types at fiscal year-end and Note 13 discloses the encumbrances outstanding for the enterprise fund.

E. Cash and Cash Equivalents

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" on the combined balance sheet.

During fiscal year 2001, investments were limited to certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

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

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

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. 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, 2001.

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 2001, interest revenue credited to the general fund amounted to \$62,338, which includes \$49,253 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 Treasurer'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.

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

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

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

G. Prepayments

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.

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 has not included 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

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

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

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

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:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Management Information Systems

Title VI

Title I

Title VI-B

Professional Development

Eisenhower

Drug Free Grant

Performance Incentive

SchoolNet Professional Development

Summer Intervention

Safe School Helpline

Migrant Program

Class Size Reduction

Data Communication Grant

Extended Learning Opportunity

Goals 2000

Performance Incentive

Capital Projects Fund

Technology Equity

SchoolNet Plus

Ohio School Facilities Commission

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

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

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

Reimbursable Grants

General Fund

Driver Education
School Bus Purchases

Enterprise Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 75 percent of the District's operating revenue during the 2001 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 50 or greater with at least 10 years of service and all employees with at least 20 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.

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

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

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

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.

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 governmental 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, prepayments, materials and supplies inventory, tax advance unavailable for appropriation, debt service, textbooks, capital acquisition 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.

Designated fund balance represents planned actions for monies set-a-side by the District for budget stabilization.

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

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

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

M. Interfund Transactions

Transactions between funds during the normal course of operations may occur. 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 transfers of resources 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.

N. Bond Discounts, Premiums and Interest Costs

For governmental fund types, bond premiums and discounts, as well as issuance cost, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. The long-term debt that appears in the general long-term obligations account group is always reported at the bond's face value.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a textbook, capital acquisition and budget stabilization. These reserves are required by State statute. A schedule of statutory reserve is presented in Note 18.

P. 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.

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

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

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

Q. 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, 2001 included the following fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
Management Information Systems	\$1,169
Title I	16

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. Agency Fund

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

<u>ASSETS</u>	
Accounts receivable	\$167

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Statutory Noncompliance

The following funds had appropriations in excess of estimated resources for the year ended June 30, 2001 in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund Type/Fund/Department</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Fund Types:</u>			
Drug Free Schools	\$ 1,765	\$ 2,790	\$ 1,025
Miscellaneous Federal Grants	29,893	49,491	19,598
<u>Enterprise Fund Type:</u>			
Food Service	85,783	88,550	2,767

D. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," was implemented during fiscal year 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

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". 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 FISCAL YEAR ENDED JUNE 30, 2001**

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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;

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

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 180 days in an amount not to exceed 25% 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.

Cash with fiscal agent: At June 30, 2001, the District had \$158,539 in cash held by the Ohio Mid-Eastern Regional Education Service Agency, which is included on the balance sheet as "Cash with fiscal agent". The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants.

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 FISCAL YEAR ENDED JUNE 30, 2001

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 \$1,128,290 and the bank balance, including non-negotiable certificates of deposit, was \$1,177,280. Of the bank balance:

1. \$123,923 was covered by federal depository insurance.
2. \$1,053,357 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District 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 the 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.

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 investments of \$3,046,772 in STAR Ohio at June 30, 2001. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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".

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

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

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

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	\$ 4,333,601	\$ 0
Investments of the cash management pool:		
Investment in STAR Ohio	(3,046,772)	3,046,772
Cash with fiscal agent	<u>(158,539)</u>	<u>---</u>
GASB Statement No. 3	<u>\$ 1,128,290</u>	<u>\$3,046,772</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ ---	\$123,813
<u>Special Revenue Fund</u>		
Management Information System	3,813	---
<u>Capital Projects Fund</u>		
Permanent Improvement	<u>120,000</u>	<u>---</u>
Totals	<u>\$123,813</u>	<u>\$123,813</u>

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

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a summarized breakdown of the District's interfund loans receivable and payable at June 30, 2001:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$10,000	\$ - - -
<u>Special Revenue Fund</u> Migrant Program	<u> - - -</u>	<u> 10,000</u>
Total	<u>\$10,000</u>	<u>\$10,000</u>

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 2000 taxes were collected was \$19,907,367. Agricultural/Residential and public utility real estate represented 62.50% or \$12,442,300 of this total; Commercial and Industrial real estate represented 16.22% or \$3,229,690 of this total, public utility tangible represented 6.81% or \$1,354,800 of this total and general tangible property represented 14.47% or \$2,880,577 of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was \$32.00 per \$1,000.00 of assessed valuation for operations and \$3.50 per \$1,000.00 of assessed valuation for debt service.

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

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.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2001. 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 \$90,041 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, 2001, 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 passed a 1% school district income tax at the November 3, 1998 election that became effective January 1, 1999. This tax is effective for five years. School district income tax revenue received by the general fund during fiscal year 2001 was \$202,459.

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

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

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). 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, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$528,233
Accounts	2,635
Accrued interest	3,549
 <u>Special Revenue Funds</u>	
Taxes - current and delinquent	9,253
Due from other governments	9,524
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	59,002

NOTE 9 - FIXED ASSETS

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

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2001</u>
Land/Improvements	\$ 113,595	\$ ---	\$ ---	\$ 113,595
Buildings/Improvements	2,508,263	---	---	2,508,263
Furniture/Equipment	871,010	49,567	(8,089)	912,488
Vehicles	184,581	---	---	184,581
Construction in Progress	<u>0</u>	<u>1,352,518</u>	<u>---</u>	<u>1,352,518</u>
Total	<u>\$3,677,449</u>	<u>\$1,402,085</u>	<u>\$(8,089)</u>	<u>\$5,071,445</u>

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

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

NOTE 9 - FIXED ASSETS - (Continued)

The construction in progress represents costs incurred by June 30, 2001 for various building projects within the District. The projects include renovation of the old school building and an addition to the high school. The total estimated cost of the building projects is \$5,271,974. The scheduled completion date for all of the projects is December 31, 2001.

A summary of the proprietary fixed assets at June 30, 2001 follows:

Furniture and equipment	\$ 67,160
Less: accumulated depreciation	<u>(56,213)</u>
Net fixed assets	<u>\$ 10,947</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the current fiscal year, the District issued \$610,000 in general obligation bonds to provide funds for the renovation of the old school building and the construction of the high school addition (hereafter "Construction Project"). These bonds are general obligations 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 this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 3.00 mill bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2001, the total estimated cost of the Construction Project is \$5,271,974, of which OSFC will pay \$4,461,351.

In conjunction with the 3.0 mills which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance cost of the new facilities. Tax revenue from this levy has been reported in the special revenue funds.

Interest payments on the current interest bonds are due on December 1 of each year. The final maturity stated in the issue is December 1, 2023.

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- B.** During fiscal year 1979, the District issued Building Facilities general obligation bonds to provide for building additions and improvements. These bonds bear an interest rate of 6.37% and mature on December 1, 2002. Payments of principal and interest relating to these bonds are recorded as expenditures of the debt service fund. The unmatured obligation at year-end is reported in the general long-term obligations account group.
- C.** During fiscal year 1996, the District entered into a energy conversation loan to provide for energy improvements to various District buildings. The primary source of repayment of this loan is through energy savings as a result of the improvements.

Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation at year-end was accounted for in the general long-term debt account group.

The following is a description of the District's bonds and note outstanding as of June 30, 2001:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Bonds/Note Outstanding July 1, 2000</u>	<u>Bonds Issued in 2001</u>	<u>Bonds/Note Retired in 2001</u>	<u>Bonds/Note Outstanding June 30, 2001</u>
Building Facilities Bond	6.37%	12/1/02	\$165,000	\$ - - -	\$ (55,000)	\$110,000
School Improvement Bond	3.52%	12/1/23	0	610,000	- - -	610,000
H.B. 264 - Energy Note	4.5%	N/A	<u>81,041</u>	<u>- - -</u>	<u>(81,041)</u>	<u>0</u>
			<u>\$246,041</u>	<u>\$610,000</u>	<u>\$(136,041)</u>	<u>\$720,000</u>

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Year Ending</u>	<u>Principal on Bonds</u>	<u>Interest on Bonds</u>	<u>Total</u>
2002	\$ 70,000	\$ 36,682	\$ 106,682
2003	70,000	32,632	102,632
2004	15,000	30,305	45,305
2005	20,000	29,613	49,613
2006	20,000	28,808	48,808
2007 - 2011	100,000	131,535	231,535
2012 - 2016	130,000	105,198	235,198
2017 - 2021	170,000	62,888	232,888
2022 - 2024	<u>125,000</u>	<u>11,262</u>	<u>136,262</u>
Total	<u>\$720,000</u>	<u>\$468,923</u>	<u>\$1,188,923</u>

E. During the year ended June 30, 2001, 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. The final payment on the capital lease was paid out of the general fund.

	<u>Balance July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2001</u>
Compensated absences	\$ 67,808	\$ - - -	\$ (23,048)	\$ 44,760
Pension obligation payable	13,780	16,257	(13,780)	16,257
General obligation bonds payable	165,000	610,000	(55,000)	720,000
Note payable	<u>81,041</u>	<u>- - -</u>	<u>(81,041)</u>	<u>0</u>
Total	<u>\$327,629</u>	<u>\$626,257</u>	<u>\$(172,869)</u>	<u>\$781,017</u>

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

F. 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, 2001 are a voted debt margin of \$1,286,060, (including available funds of \$214,397), and an unvoted debt margin of \$19,907.

NOTE 11 - BOND ANTICIPATION NOTE

On March 2, 2000, the District issued a \$610,000 bond anticipation note to finance the renovation of the old school building and to begin construction of the high school addition. This note had an annual interest rate of 4.61% and matured on February 1, 2001. A summary of the bond anticipation note transactions for the year ended June 30, 2001 follows:

	Principal Outstanding <u>June 30, 2000</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>June 30, 2001</u>
<u>Capital Projects Funds</u>				
Bond Anticipation Note - 4.61%	<u>\$610,000</u>	<u>\$ - - -</u>	<u>\$(610,000)</u>	<u>\$ 0</u>

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

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

NOTE 12 - 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>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Harcum-Hyre		
Each occurrence		\$ 2,000,000	\$ 0
Aggregate		5,000,000	0
Building and contents	Indiana Insurance	5,434,357	1,000
Fleet:			
Combined liability	Auto Owners	1,000,000	0
Underinsured/uninsured motorist	Mutual Insurance	1,000,000	0
Collision	Carrying Value		1,000
Boiler and machinery	Indiana Insurance	500,000	500

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

B. Health Insurance

The District joined together with other area school districts to form the Seneca 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 agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$50,000 for any employee.

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

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

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Worker's Compensation

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

The intent of the Group Rating Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Group Rating Program. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Group Rating Program. Each participant pays its workers' compensation premium to the State based on the rate for the Group Rating Program 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 Group Rating Program. 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 Group Rating Program. Participation in the Group Rating Program is limited to school districts that can meet the Group Rating Program's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Group Rating Program.

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUND

The District maintains one enterprise fund, which provides lunchroom/cafeteria services. Therefore, segment information for the year ended June 30, 2001, is not presented in these notes. The enterprise fund had no encumbrances outstanding at June 30, 2001.

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

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

NOTE 14 - 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 defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2001; 4.2 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 to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$36,857, \$33,467, and \$30,213, respectively; 42.83 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$21,072, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The 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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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

NOTE 14 - 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; 9.5 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 to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$123,677, \$122,457, and \$114,277, respectively; 85.48 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$17,960, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by State statute. Both STRS and SERS 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 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$39,753 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

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

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

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, 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 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$28,947 during the 2001 fiscal year.

NOTE 16 - 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 FISCAL YEAR ENDED JUNE 30, 2001

NOTE 16 - 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 Projects</u>
Budget basis	\$ 99,473	\$28,169	\$ (11,812)	\$2,129,469
Net adjustment for revenue accruals	(39,017)	12,142	54,702	24,291
Net adjustment for expenditure accruals	76,988	(7,788)	553,097	(523,331)
Net adjustment for other financing sources (uses)	3,486	(9,065)	(611,408)	611,408
Encumbrances (budget basis)	<u>86,332</u>	<u>3,097</u>	<u>---</u>	<u>276,058</u>
GAAP basis	<u>\$227,262</u>	<u>\$26,555</u>	<u>\$ (15,421)</u>	<u>\$2,517,895</u>

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

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

NOTE 17 - 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, 2001.

B. Litigation

The District is involved in no litigation as either plaintiff or defendant.

C. State School Funding Decision

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

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

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

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

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

NOTE 17 - CONTINGENCIES - (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of September 26, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

NOTE 18 - 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, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	
			<u>Reserved</u>	<u>Designated</u>
Set-aside cash balance as of June 30, 2000	\$ 17,376	\$ 13,635	\$ 34,604	\$ 0
Current year set-aside requirement	36,939	36,939	---	
Reclassification of budget stabilization reserve	---	---	(25,390)	25,390
Qualifying disbursements	<u>(44,028)</u>	<u>(13,437)</u>	<u>---</u>	<u>---</u>
Total	<u>\$ 10,287</u>	<u>\$ 37,137</u>	<u>\$ 9,214</u>	<u>\$25,390</u>
Cash balance carried forward to FY 2002	<u>\$ 10,287</u>	<u>\$ 37,137</u>	<u>\$ 9,214</u>	<u>\$25,390</u>

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

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

NOTE 18 - STATUTORY RESERVES - (Continued)

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Monies previously reported in the budget stabilization reserve may be reported as unreserved and undesignated fund equity in the general fund. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve. Further, via Board Resolution, the District elected to maintain its budget stabilization amount at June 30, 2001.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for textbooks	\$10,287
Amount restricted for capital acquisition	37,137
Amount restricted for budget stabilization	<u>9,214</u>
 Total restricted assets	 <u><u>\$56,638</u></u>

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2001, the District had the following contractual commitments outstanding related to renovations to the old school building. A summary of the primary contractual commitments follows.

	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment at June 30, 2001</u>
Arco	\$ 87,220	\$ ---	\$ 87,220
Bodie Electric	544,870	240,389	304,481
Grinnell Fire Protection	103,500	---	103,500
JR Holcomb	115,800	---	115,800
Jack Bucher	1,792,365	509,879	1,282,486
Keen & Cross	67,255	---	67,255
Marlin White Plumbing	322,350	123,000	199,350
Stough & Stough	360,192	272,464	87,728
Tri County Block	19,460	---	19,460
Warner Mechanical	<u>1,085,240</u>	<u>82,606</u>	<u>1,002,634</u>
 Totals	 <u><u>\$4,498,252</u></u>	 <u><u>\$1,228,338</u></u>	 <u><u>\$3,269,914</u></u>

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *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 fiscal year ended June 30, 2001, and have issued our report thereon dated October 18, 2001. During the fiscal year ended June 30, 2001, the Bettsville Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 2001-BLSD-001. We also noted a certain immaterial instance of noncompliance that we have reported to the management of Bettsville Local School District in a separate letter dated October 18, 2001.

Board of Education
Bettsville Local School District

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of Bettsville Local School District in a separate letter dated October 18, 2001.

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.
October 18, 2001

**BETTSVILLE LOCAL SCHOOL DISTRICT
 SENECA COUNTY, OHIO
 JUNE 30, 2001**

SCHEDULE OF FINDINGS

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2001-BLSD-001
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Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that the District had appropriations exceeding estimated resources in the following funds:

<u>Fund Type/Fund/Department</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Fund Type:</u>			
Drug Free Schools	\$ 1,765	\$ 2,790	\$ 1,025
Miscellaneous Federal Grants	29,893	49,491	19,598
 <u>Enterprise Fund Type:</u>			
Food Service	85,783	88,550	2,767

With appropriations exceeding estimated resources, the District is spending monies that are not lawfully appropriated for that fund's purposes and thus could result in a fund deficit, or spending of another fund's monies.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

BETTSVILLE LOCAL SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 15, 2001**