

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

*GENERAL PURPOSE FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2003*

**KAREN J. BOTZKO, TREASURER**





**Auditor of State  
Betty Montgomery**

Board of Education  
Bettsville Local School District

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, 2002 through June 30, 2003. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

December 15, 2003

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

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# TRIMBLE, JULIAN & GRUBE, INC.

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## Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the Bettsville Local School District, Ohio, as of and for the fiscal year ended June 30, 2003, 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bettsville Local School District, Ohio, as of June 30, 2003, 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 November 1, 2003 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.  
November 1, 2003

**BETTSVILLE LOCAL SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 138,200	\$ 85,414	\$ 113,441	\$ 672,917
Cash with fiscal agent . . . . .	167,531	-	-	-
Receivables (net of allowances of uncollectibles):				
Taxes - current & delinquent . . . . .	513,553	10,596	57,896	-
Accounts. . . . .	51,135	-	-	50,649
Accrued interest . . . . .	2,314	-	-	-
Interfund loan receivable . . . . .	277	-	-	-
Due from other governments . . . . .	-	59,891	-	-
Materials and supplies inventory . . . . .	11,726	730	-	-
Prepayments . . . . .	19,494	3,640	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	52,885	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable). . . . .	-	-	-	-
<b>OTHER DEBITS:</b>				
Amount available in debt service fund . . . . .	-	-	-	-
Amount to be provided for retirement of general long-term obligations . . . . .	-	-	-	-
<b>Total assets and other debits . . . . .</b>	<b><u>\$ 957,115</u></b>	<b><u>\$ 160,271</u></b>	<b><u>\$ 171,337</u></b>	<b><u>\$ 723,566</u></b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable. . . . .	\$ 22,470	\$ 444	\$ -	\$ -
Accrued wages . . . . .	123,651	10,234	-	-
Compensated absences payable. . . . .	12,948	213	-	-
Pension obligation payable . . . . .	24,787	3,244	-	-
Interfund loan payable . . . . .	-	277	-	-
Deferred revenue . . . . .	419,586	52,070	54,124	-
Due to other governments. . . . .	2,542	184	-	25,417
Due to students . . . . .	-	-	-	-
General obligation bonds payable. . . . .	-	-	-	-
Capital lease obligation payable . . . . .	-	-	-	-
<b>Total liabilities. . . . .</b>	<b><u>605,984</u></b>	<b><u>66,666</u></b>	<b><u>54,124</u></b>	<b><u>25,417</u></b>
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets . . . . .	-	-	-	-
Retained earnings: unreserved . . . . .	-	-	-	-
Fund balances:				
Reserved for encumbrances . . . . .	17,876	2,574	-	-
Reserved for materials and supplies inventory . . . . .	11,726	730	-	-
Reserved for prepayments. . . . .	19,494	3,640	-	-
Reserved for debt service . . . . .	-	-	113,441	-
Reserved for tax revenue unavailable for appropriation. . .	29,212	690	3,772	-
Reserved for budget stabilization . . . . .	9,214	-	-	-
Reserved for bus purchase allowance . . . . .	43,671	-	-	-
Unreserved:				
Designated for budget stabilization . . . . .	25,390	-	-	-
Undesignated. . . . .	194,548	85,971	-	698,149
<b>Total equity and other credits . . . . .</b>	<b><u>351,131</u></b>	<b><u>93,605</u></b>	<b><u>117,213</u></b>	<b><u>698,149</u></b>
<b>Total liabilities, equity and other credits. . . . .</b>	<b><u>\$ 957,115</u></b>	<b><u>\$ 160,271</u></b>	<b><u>\$ 171,337</u></b>	<b><u>\$ 723,566</u></b>

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



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 9,104	\$ 30,146	\$ -	\$ -	\$ 1,049,222
-	-	-	-	167,531
-	-	-	-	582,045
-	-	-	-	101,784
-	-	-	-	2,314
-	-	-	-	277
-	-	-	-	59,891
4,620	-	-	-	17,076
91	-	-	-	23,225
-	-	-	-	52,885
100,141	-	7,053,448	-	7,153,589
-	-	-	117,213	117,213
-	-	-	566,885	566,885
<u>\$ 113,956</u>	<u>\$ 30,146</u>	<u>\$ 7,053,448</u>	<u>\$ 684,098</u>	<u>\$ 9,893,937</u>
\$ -	\$ -	\$ -	\$ -	\$ 22,914
3,418	-	-	-	137,303
5,320	-	-	51,900	70,381
1,814	-	-	18,775	48,620
-	-	-	-	277
-	-	-	-	525,780
37	-	-	-	28,180
-	30,146	-	-	30,146
-	-	-	580,000	580,000
-	-	-	33,423	33,423
<u>10,589</u>	<u>30,146</u>	<u>-</u>	<u>684,098</u>	<u>1,477,024</u>
-	-	7,053,448	-	7,053,448
103,367	-	-	-	103,367
-	-	-	-	20,450
-	-	-	-	12,456
-	-	-	-	23,134
-	-	-	-	113,441
-	-	-	-	33,674
-	-	-	-	9,214
-	-	-	-	43,671
-	-	-	-	25,390
-	-	-	-	978,668
<u>103,367</u>	<u>-</u>	<u>7,053,448</u>	<u>-</u>	<u>8,416,913</u>
<u>\$ 113,956</u>	<u>\$ 30,146</u>	<u>\$ 7,053,448</u>	<u>\$ 684,098</u>	<u>\$ 9,893,937</u>

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**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, 2003

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 584,173	\$ 8,246	\$ 49,352	\$ -	\$ 641,771
Tuition . . . . .	187,360	-	-	-	187,360
Earnings on investments . . . . .	31,717	77	-	6,038	37,832
Extracurricular . . . . .	-	26,682	-	-	26,682
Other local revenues . . . . .	56,603	25,067	-	221,659	303,329
Donations . . . . .	50,849	59,442	-	-	110,291
Other revenues . . . . .	500	-	-	-	500
Intergovernmental - State . . . . .	1,179,885	37,766	6,189	1,944	1,225,784
Intergovernmental - Federal . . . . .	-	234,391	-	-	234,391
<b>Total revenues . . . . .</b>	<b><u>2,091,087</u></b>	<b><u>391,671</u></b>	<b><u>55,541</u></b>	<b><u>229,641</u></b>	<b><u>2,767,940</u></b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	917,114	178,693	-	22,489	1,118,296
Special . . . . .	182,845	109,586	-	-	292,431
Support services:					
Pupil . . . . .	94,485	2,917	-	-	97,402
Instructional staff . . . . .	36,657	8,907	-	-	45,564
Board of Education . . . . .	9,983	-	-	-	9,983
Administration . . . . .	220,087	24,269	-	601	244,957
Fiscal . . . . .	147,247	9,326	-	-	156,573
Operations and maintenance . . . . .	280,041	13,019	-	1,269	294,329
Pupil transportation . . . . .	142,437	10,662	-	-	153,099
Community services . . . . .	-	13,164	-	7,056	20,220
Extracurricular activities . . . . .	59,574	31,842	-	-	91,416
Facilities acquisition and construction . . . . .	-	-	-	74,191	74,191
Debt service:					
Principal retirement . . . . .	7,957	-	70,000	-	77,957
Interest and fiscal charges . . . . .	3,023	-	33,856	-	36,879
<b>Total expenditures . . . . .</b>	<b><u>2,101,450</u></b>	<b><u>402,385</u></b>	<b><u>103,856</u></b>	<b><u>105,606</u></b>	<b><u>2,713,297</u></b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(10,363)</u>	<u>(10,714)</u>	<u>(48,315)</u>	<u>124,035</u>	<u>54,643</u>
Other financing sources (uses):					
Operating transfers in . . . . .	-	8,373	-	-	8,373
Operating transfers out . . . . .	<u>(8,373)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,373)</u>
<b>Total other financing sources (uses) . . . . .</b>	<b><u>(8,373)</u></b>	<b><u>8,373</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	<u>(18,736)</u>	<u>(2,341)</u>	<u>(48,315)</u>	<u>124,035</u>	<u>54,643</u>
Fund balances, July 1 . . . . .	367,367	96,019	165,528	574,114	1,203,028
Increase (decrease) in reserve for inventory . . . . .	<u>2,500</u>	<u>(73)</u>	<u>-</u>	<u>-</u>	<u>2,427</u>
<b>Fund balances, June 30 . . . . .</b>	<b><u>\$ 351,131</u></b>	<b><u>\$ 93,605</u></b>	<b><u>\$ 117,213</u></b>	<b><u>\$ 698,149</u></b>	<b><u>\$ 1,260,098</u></b>

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, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes . . . . .	\$ 625,159	\$ 625,159	\$ -	\$ 9,600	\$ 8,563	\$ (1,037)
Tuition . . . . .	187,360	187,360	-	-	-	-
Earnings on investments . . . . .	30,500	29,747	(753)	83	77	(6)
Extracurricular . . . . .	-	-	-	29,840	26,682	(3,158)
Other local revenues . . . . .	56,254	56,317	63	22,601	25,067	2,466
Donations . . . . .	-	-	-	59,442	59,442	-
Other revenue . . . . .	500	500	-	-	-	-
Intergovernmental - state . . . . .	1,179,959	1,179,885	(74)	36,750	37,766	1,016
Intergovernmental - federal . . . . .	-	-	-	273,344	213,453	(59,891)
Total revenues . . . . .	2,079,732	2,078,968	(764)	431,660	371,050	(60,610)
Expenditures:						
Current:						
Instruction:						
Regular . . . . .	960,306	944,117	16,189	206,705	184,505	22,200
Special . . . . .	207,783	192,179	15,604	150,838	104,953	45,885
Support services:						
Pupil . . . . .	94,914	94,369	545	1,961	2,422	(461)
Instructional staff . . . . .	39,953	37,950	2,003	11,204	7,967	3,237
Board of Education . . . . .	11,625	10,365	1,260	-	-	-
Administration . . . . .	235,980	236,879	(899)	25,824	23,492	2,332
Fiscal . . . . .	144,731	144,605	126	11,272	9,270	2,002
Operations and maintenance . . . . .	290,670	290,298	372	16,780	16,658	122
Pupil transportation . . . . .	148,835	145,490	3,345	21,043	10,443	10,600
Community services . . . . .	-	-	-	14,609	13,199	1,410
Extracurricular activities . . . . .	61,654	59,115	2,539	33,770	32,419	1,351
Facilities acquisition and construction . . . . .	-	-	-	-	-	-
Debt service:						
Principal retirement . . . . .	-	-	-	-	-	-
Interest and fiscal charges . . . . .	-	-	-	-	-	-
Total expenditures . . . . .	2,196,451	2,155,367	41,084	494,006	405,328	88,678
Excess (deficiency) of revenues over (under) expenditures . . . . .	(116,719)	(76,399)	40,320	(62,346)	(34,278)	28,068
Other financing sources (uses):						
Advances in . . . . .	4,687	4,687	-	277	277	-
Advances out . . . . .	(200)	(277)	(77)	-	(2,569)	(2,569)
Operating transfers in . . . . .	-	-	-	10,175	8,373	(1,802)
Operating transfers out . . . . .	(11,000)	(10,491)	509	-	-	-
Refund of prior year expenditures . . . . .	4,588	4,588	-	-	-	-
Total other financing sources (uses) . . . . .	(1,925)	(1,493)	432	10,452	6,081	(4,371)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	(118,644)	(77,892)	40,752	(51,894)	(28,197)	23,697
Fund balances, July 1 . . . . .	146,563	146,563	-	71,305	71,305	-
Prior year encumbrances appropriated . . . . .	95,412	95,412	-	39,288	39,288	-
Fund balances, June 30 . . . . .	\$ 123,331	\$ 164,083	\$ 40,752	\$ 58,699	\$ 82,396	\$ 23,697

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

Debt Service			Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 58,325	\$ 52,136	\$ (6,189)	\$ -	\$ -	\$ -	\$ 693,084	\$ 685,858	\$ (7,226)
-	-	-	-	-	-	187,360	187,360	-
-	-	-	6,234	6,022	(212)	36,817	35,846	(971)
-	-	-	-	-	-	29,840	26,682	(3,158)
-	-	-	284,464	284,464	-	363,319	365,848	2,529
-	-	-	-	-	-	59,442	59,442	-
-	-	-	-	-	-	500	500	-
-	6,189	6,189	1,944	1,944	-	1,218,653	1,225,784	7,131
-	-	-	-	-	-	273,344	213,453	(59,891)
<u>58,325</u>	<u>58,325</u>	<u>-</u>	<u>292,642</u>	<u>292,430</u>	<u>(212)</u>	<u>2,862,359</u>	<u>2,800,773</u>	<u>(61,586)</u>
-	-	-	24,807	22,472	2,335	1,191,818	1,151,094	40,724
-	-	-	-	-	-	358,621	297,132	61,489
-	-	-	-	-	-	96,875	96,791	84
-	-	-	-	-	-	51,157	45,917	5,240
-	-	-	-	-	-	11,625	10,365	1,260
-	-	-	-	601	(601)	261,804	260,972	832
-	-	-	-	-	-	156,003	153,875	2,128
-	-	-	-	1,269	(1,269)	307,450	308,225	(775)
-	-	-	-	-	-	169,878	155,933	13,945
-	-	-	7,056	7,056	-	21,665	20,255	1,410
-	-	-	-	-	-	95,424	91,534	3,890
-	-	-	209,510	209,510	-	209,510	209,510	-
70,000	70,000	-	-	-	-	70,000	70,000	-
34,332	33,856	476	-	-	-	34,332	33,856	476
<u>104,332</u>	<u>103,856</u>	<u>476</u>	<u>241,373</u>	<u>240,908</u>	<u>465</u>	<u>3,036,162</u>	<u>2,905,459</u>	<u>130,703</u>
<u>(46,007)</u>	<u>(45,531)</u>	<u>476</u>	<u>51,269</u>	<u>51,522</u>	<u>253</u>	<u>(173,803)</u>	<u>(104,686)</u>	<u>69,117</u>
-	-	-	-	-	-	4,964	4,964	-
-	-	-	-	-	-	(200)	(2,846)	(2,646)
-	-	-	-	-	-	10,175	8,373	(1,802)
-	-	-	-	-	-	(11,000)	(10,491)	509
-	-	-	-	-	-	4,588	4,588	-
-	-	-	-	-	-	8,527	4,588	(3,939)
(46,007)	(45,531)	476	51,269	51,522	253	(165,276)	(100,098)	65,178
158,972	158,972	-	605,166	605,166	-	982,006	982,006	-
-	-	-	16,229	16,229	-	150,929	150,929	-
<u>\$ 112,965</u>	<u>\$ 113,441</u>	<u>\$ 476</u>	<u>\$ 672,664</u>	<u>\$ 672,917</u>	<u>\$ 253</u>	<u>\$ 967,659</u>	<u>\$ 1,032,837</u>	<u>\$ 65,178</u>

**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, 2003

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Sales/charges for services . . . . .	\$ 62,694
 Total operating revenues . . . . .	 62,694
Operating expenses:	
Personal services . . . . .	49,710
Contract services . . . . .	647
Materials and supplies . . . . .	48,544
Depreciation . . . . .	8,383
Other . . . . .	3,798
 Total operating expenses . . . . .	 111,082
Operating loss . . . . .	(48,388)
Nonoperating revenues:	
Intergovernmental . . . . .	35,346
Federal commodities . . . . .	15,701
Interest revenue . . . . .	29
Miscellaneous . . . . .	400
 Total nonoperating revenues . . . . .	 51,476
 Net income . . . . .	 3,088
Retained earnings, July 1 . . . . .	100,279
Retained earnings, June 30 . . . . .	\$ 103,367

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, 2003

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from sales/service charges . . . . .	\$ 62,694
Cash payments for personal services . . . . .	(48,580)
Cash payments for contract services . . . . .	(1,028)
Cash payments for materials and supplies . . . . .	(35,962)
Cash payments for other expenses . . . . .	(3,798)
	(26,674)
Net cash used in operating activities . . . . .	(26,674)
Cash flows from noncapital financing activities:	
Miscellaneous . . . . .	400
Cash received from grants . . . . .	35,346
	35,746
Net cash provided by noncapital financing activities . . . . .	35,746
Cash flows from investing activities:	
Interest received . . . . .	29
	29
Net cash provided by investing activities. . . . .	29
Net increase in cash and cash equivalents. . . . .	9,101
Cash and cash equivalents at beginning of year. . . . .	3
Cash and cash equivalents at end of year . . . . .	\$ 9,104
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss . . . . .	\$ (48,388)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation . . . . .	8,383
Federal donated commodities. . . . .	15,701
Changes in assets and liabilities:	
Increase in materials and supplies inventory. . . . .	(1,091)
Decrease in accounts payable . . . . .	(381)
Increase in accrued wages and benefits . . . . .	292
Increase in compensated absences payable . . . . .	471
Decrease in due to other governments . . . . .	(36)
Increase in pension obligation payable . . . . .	403
Decrease in deferred revenue . . . . .	(2,028)
	(2,028)
Net cash used in operating activities. . . . .	\$ (26,674)

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

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

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

**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 637<sup>th</sup> largest by enrollment among the 740 public and community school districts in the state, and 7<sup>th</sup> in Seneca County. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school located in one building. The District employs 12 non-certified and 22 certified employees to provide services to 314 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 accounting principles generally accepted in the United States of America (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 more significant of the District's accounting policies are as follows:

**A. Reporting Entity**

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

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

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

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

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

*PUBLIC ENTITY RISK POOLS*

Seneca County Joint Insurance Trust (the "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.

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.

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

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

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

*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 \$25,236 to NOECA in fiscal year 2003 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.

*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.

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

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

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than 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:

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.C.).

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

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

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

*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.

**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.

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

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

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

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, 2003, and which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as 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. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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

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

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

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

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

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

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 fund does not receive 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 2003 is as follows:

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

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

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

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

3. Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
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 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.
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 2003.



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

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

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

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures 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. There were no encumbrances outstanding in the enterprise fund at June 30, 2003.

**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 2003, investments were limited to certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. 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, 2003.

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

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal 2003, interest revenue credited to the general fund amounted to \$31,717, which includes \$24,463 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 fiscal year-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

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

**G. 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 fiscal year-end, because prepayment is not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

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

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

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

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 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>
Furniture and equipment	15

**I. 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.

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

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

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

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.

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.

**J. 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.

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

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

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

**K. Fund Equity**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation, budget stabilization, and bus purchase allowance. 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.

**L. 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.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2003.

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

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

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

4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2003.

See Note 5 for an analysis of interfund transactions.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. The District has also received state monies that are restricted for school bus purchase. Fund balance reserves have also been established. See Note 18 for details.

**N. 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.

**O. 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.

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

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances**

Fund balances at June 30, 2003 included the following fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
Management Information Systems	\$1,448
Ohio Reads	577
Title VI	841
Drug-Free School Grant	66

Each of these funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit balances in the Management Information Systems, Ohio Reads, Chapter VI, and Drug-Free School Grant special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages and benefits attributable to the fiscal year. These deficits will be eliminated as revenues become available to cover these costs as they are incurred.

**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>LIABILITIES</u>	
Accounts payable	\$1,482

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

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

**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.

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;



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

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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;
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.

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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, 2003, the District had \$167,531 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".

*Deposits:* At year-end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$1,063,116 and the bank balance, including non-negotiable certificates of deposit, was \$1,107,168. Of the bank balance:

1. \$120,112 was covered by federal depository insurance; and
2. \$987,056 was uninsured and uncollateralized 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.

**BETTSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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 \$38,991 in STAR Ohio at June 30, 2003. 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".

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	\$1,269,638	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(38,991)	38,991
Cash with fiscal agent	<u>(167,531)</u>	<u>-</u>
GASB Statement No. 3	<u>\$1,063,116</u>	<u>\$38,991</u>

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

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

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. The following is a summarized breakdown of the District's operating transfers for fiscal year 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$8,373
<u>Special Revenue Funds</u>		
Management Information System	7,873	-
Public School Support	<u>500</u>	<u>-</u>
Totals	<u>\$8,373</u>	<u>\$8,373</u>

- B. The following is a summarized breakdown of the District's interfund loans receivable and payable at June 30, 2003:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$277	\$ -
<u>Special Revenue Funds</u>		
Title VI	-	33
Drug-Free School Grant	<u>-</u>	<u>244</u>
Totals	<u>\$277</u>	<u>\$277</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.

**BETTSVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 6 - PROPERTY TAXES - (Continued)**

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 varying rates of true value.

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 2002 taxes were collected was \$19,958,275. Agricultural/residential and public utility/minerals real estate represented 65.40% or \$13,054,420 of this total; commercial and industrial real estate represented 16.30% or \$3,252,150 of this total, public utility tangible represented 6.63% or \$1,322,650 of this total and general tangible property represented 11.67% or \$2,329,055 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 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.

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, 2003. 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 \$33,674 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, 2003, 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.

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

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

**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 2003 was \$219,093.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2003 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), interfund loans, intergovernmental grants and entitlements (to the extent eligibility requirements have been met). 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	\$513,553
Accounts	51,135
Accrued interest	2,314
Interfund loan	277
<u>Special Revenue Funds</u>	
Taxes - current and delinquent	10,596
Due from other governments	59,891
<u>Debt Service Fund</u>	
Taxes - current and delinquent	57,896
<u>Capital Projects Funds</u>	
Accounts	50,649

**BETTSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**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, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2003</u>
Land/improvements	\$ 202,450	\$ 2,500	\$ -	\$ 204,950
Buildings/improvements	6,072,509	200,411	-	6,272,920
Furniture/equipment	399,943	18,916	(46,249)	372,610
Vehicles	<u>162,810</u>	<u>53,981</u>	<u>(13,823)</u>	<u>202,968</u>
Total	<u>\$6,837,712</u>	<u>\$275,808</u>	<u>\$(60,072)</u>	<u>\$7,053,448</u>

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture and equipment	\$125,756
Less: accumulated depreciation	<u>(25,615)</u>
Net fixed assets	<u>\$100,141</u>

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In a prior fiscal year, the District entered into a capitalized lease for the acquisition of a copier. The lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types. These expenditures are reflected as program/function expenditures on a budgetary basis. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2003 fiscal year totaled \$7,957. This amount is reflected as debt service principal retirement in the general fund.

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

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

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

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

General Long-Term Obligations

<u>Year Ending June 30</u>	<u>Copier</u>
2004	\$10,980
2005	10,980
2006	10,980
2007	<u>5,490</u>
Total future minimum lease payments	38,430
Less: amount representing interest	<u>(5,007)</u>
Present value of future minimum lease payments	<u><u>\$33,423</u></u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2001, the District issued \$610,000 in general obligation bonds to provide funds for the renovation of the 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).



**BETTSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

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.

Principal and interest payments on the current interest bonds are due on December 1, and interest only payment on June 1, of each year. The final maturity stated in the issue is December 1, 2023.

**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 matured on December 1, 2002. Payments of principal and interest relating to these bonds are recorded as expenditures of the debt service fund. The obligation was paid in full during the 2003 fiscal year.

**C.** The following is a description of the District's bonds outstanding as of June 30, 2003:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Bonds Outstanding July 1, 2002</u>	<u>Bonds Retired in 2003</u>	<u>Bonds Outstanding June 30, 2003</u>
Building facilities bond	6.37%	12/1/02	\$ 55,000	\$(55,000)	\$ -
School improvement bond	3.52%	12/1/23	<u>595,000</u>	<u>(15,000)</u>	<u>580,000</u>
			<u>\$650,000</u>	<u>\$(70,000)</u>	<u>\$580,000</u>

**BETTSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 11 - 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>
2004	\$ 15,000	\$ 30,305	\$ 45,305
2005	20,000	29,613	49,613
2006	20,000	28,808	48,808
2007	20,000	27,993	47,993
2008	20,000	27,163	47,163
2009 - 2013	110,000	122,492	232,492
2014 - 2018	140,000	90,090	230,090
2019 - 2023	190,000	41,829	231,829
2024	<u>45,000</u>	<u>1,316</u>	<u>46,316</u>
Total	<u>\$580,000</u>	<u>\$399,609</u>	<u>\$979,609</u>

**E.** During the year ended June 30, 2003, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligations will be paid from the fund in which the employee was paid.

	<u>Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Compensated absences	\$ 44,887	\$ 7,013	\$ -	\$ 51,900
Pension obligation payable	16,727	18,775	(16,727)	18,775
General obligation bonds payable	650,000	-	(70,000)	580,000
Capital lease obligation	<u>41,380</u>	<u>-</u>	<u>(7,957)</u>	<u>33,423</u>
Total	<u>\$752,994</u>	<u>\$25,788</u>	<u>\$(94,684)</u>	<u>\$684,098</u>

**BETTSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 11 - 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, 2003 are a voted debt margin of \$1,333,458, (including available funds of \$117,213), and an unvoted debt margin of \$19,958.

**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		\$1,000,000	\$ -
Aggregate		3,000,000	-
Excess liability:	Harcum-Hyre		
Each occurrence		2,000,000	-
Aggregate		2,000,000	-
Building and contents	Indiana Insurance	7,413,618	2,500
Fleet:			
Combined liability	Auto Owners	1,000,000	-
Underinsured/uninsured motorist	Mutual Insurance	1,000,000	-
Collision		Carrying Value	1,000
Boiler and machinery	Cincinnati Insurance	500,000	500

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

**BETTSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**B. Health Insurance**

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

**C. Workers' 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.

**BETTSVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**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, 2003, is not presented in these notes. The enterprise fund had no encumbrances outstanding at June 30, 2003.

**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. 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 State Statute 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2003, 8.17% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$45,451, \$43,881, and \$36,857, respectively; 47% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$24,312 represents the unpaid contribution for fiscal year 2003.

**BETTSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**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.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**BETTSVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$125,670, \$125,943, and \$123,677, respectively; 84% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$20,000 represents the unpaid contribution for fiscal year 2003.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**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 partial reimbursement of monthly Medicare Part B 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.

**BETTSVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

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% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$8,976 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

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 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 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 \$21,430 during the 2003 fiscal year.



**BETTSVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**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);
- (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).

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

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

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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:

	<b>Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses</b>			
	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(77,892)	\$(28,197)	\$(45,531)	\$ 51,522
Net adjustment for revenue accruals	12,119	20,621	(2,784)	(62,789)
Net adjustment for expenditure accruals	26,915	(75)	-	135,302
Net adjustment for other financing sources/(uses)	(6,880)	2,292	-	-
Encumbrances (budget basis)	<u>27,002</u>	<u>3,018</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$(18,736)</u>	<u>\$(2,341)</u>	<u>\$(48,315)</u>	<u>\$124,035</u>

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

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

**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, 2003.

**B. Litigation**

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

**C. State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school funding scheme that is thorough and efficient ...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

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

**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, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization Reserved</u>	<u>Designated</u>
Set-aside cash balance as of June 30, 2002	\$ 14,044	\$(570,347)	\$9,214	\$25,390
Current year set-aside requirement	39,793	39,793	-	-
Qualifying disbursements	<u>(90,732)</u>	<u>(10,436)</u>	<u>-</u>	<u>-</u>
Total	<u>\$(36,895)</u>	<u>\$(540,990)</u>	<u>\$9,214</u>	<u>\$25,390</u>
Cash balance carried forward to FY 2004	<u>\$(36,895)</u>	<u>\$(540,990)</u>	<u>\$9,214</u>	<u>\$25,390</u>

The District issued \$610,000 in bonds in fiscal year 2001 to provide for the renovation of the old school building and construction of the high school addition. This amount is an allowable offset to future years for the capital improvement and maintenance set-aside. The negative amount is therefore presented as being carried forward to the next fiscal year.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases. The amount of \$43,671 for school bus reserves is in the general fund on the Combined Balance Sheet at June 30, 2003.

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for bus purchase allowance	\$43,671
Amount restricted for budget stabilization	<u>9,214</u>
Total restricted assets	<u>\$52,885</u>

# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose 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, 2003, and have issued our report thereon dated November 1, 2003. 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 general purpose 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 general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 general purpose 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of Bettsville Local School District in a separate letter dated November 1, 2003.

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.  
November 1, 2003



**Auditor of State  
Betty Montgomery**

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**BETTSVILLE LOCAL SCHOOL DISTRICT**

**SENECA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 30, 2003**