

Bettsville Local School District

Seneca County

Regular Audit

July 1, 2006 through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER, CPAs, INC.
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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bettsville Local School District, Seneca County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 24, 2008

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Bettsville Local School District
Bettsville, Ohio
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Bettsville Local School District
118 Washington Street
Bettsville, OH 44815

We have audited the accompanying financial statements of Bettsville Local School District (the District), Seneca County, as of and for the year ended June 30, 2007. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

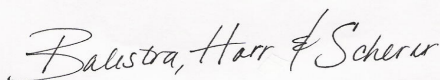
Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the District as of and for the year ended June 30, 2007 in the accordance with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

As described in Note 17 to the financial statements, the School District changed its basis of accounting to the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America as described in Note 2 to the financial statements.



Balestra, Harr & Scherer, CPAs, Inc.
December 14, 2007

BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY

COMBINED STATEMENT OF CASH AND FUND CASH BALANCES
ALL FUND TYPES
AS OF JUNE 30, 2007

Cash	\$	1,103,878
Cash with Fiscal Agents		183,113
Total cash		<u>1,286,991</u>

CASH BALANCES BY FUND TYPE

Governmental Funds		
General Fund		405,240
Special Revenue Funds		104,192
Debt Service Fund		126,913
Capital Projects Funds		605,629
Proprietary Funds		
Enterprise Funds		11,037
Fiduciary Funds		
Agency Funds		<u>33,980</u>
Totals	\$	<u>1,286,991</u>

The notes to the financial statements are an integral part of the statement.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30 2007**

	Governmental Fund Types			Total	
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
RECEIPTS:					
Receipts from Local Sources:					
Taxes	\$ 621,762	\$ -	\$ 52,728	\$ 8,962	\$ 683,452
Tuition	193,262	-	-	-	193,262
Earnings on Investments	65,357	17	-	1,759	67,133
Food Service	-	443	-	-	443
Extracurricular Activities	-	27,262	-	-	27,262
Classroom Material and Fees	6,074	-	-	-	6,074
Miscellaneous	129,759	5,794	-	-	135,553
Receipts from Intermediate Sources:					
Restricted Grants-In-Aid	1,830	-	-	-	1,830
Receipts from State Sources:					
Unrestricted Grants-In-Aid	1,178,478	-	8,231	1,469	1,188,178
Restricted Grants-In-Aid	-	44,827	-	3,307	48,134
Receipts from Federal Sources:					
Restricted Grants-In-Aid	-	368,910	-	-	368,910
Total Receipts	2,196,522	447,253	60,959	15,497	2,720,231
DISBURSEMENTS:					
Instruction:					
Regular	1,116,063	83,547	-	20,327	1,219,937
Special	217,531	241,305	-	-	458,836
Support Services:					
Pupils	95,442	111	-	-	95,553
Instructional Staff	31,393	2,238	-	-	33,631
Board of Education	9,699	-	-	-	9,699
Administration	238,634	27,814	-	-	266,448
Fiscal Services	141,892	13,996	-	168	156,056
Operation and Maintenance - Plant	227,070	2,170	-	25,036	254,276
Pupil Transportation	89,200	23,001	-	516	112,717
Central	-	-	-	1,483	1,483
Food Service	-	10,620	-	674	11,294
Extracurricular Activities:					
Academic and Subject Oriented Activities	4,002	3,850	-	-	7,852
Sports Oriented	54,674	27,862	-	-	82,536
Co-Curricular Activities	6,603	-	-	-	6,603
Debt Service:					
Repayment of Debt	12,600	-	48,977	-	61,577
Total Disbursements	2,244,803	436,514	48,977	48,204	2,778,498
Excess of Receipts Over / (Under) Disbursement	<u>(48,281)</u>	<u>10,739</u>	<u>11,982</u>	<u>(32,707)</u>	<u>(58,267)</u>
OTHER FINANCING SOURCES / (USES)					
Transfers-Out	(36,892)	-	-	-	(36,892)
Transfers-In	-	37,126	-	-	37,126
Advances-Out	(2,497)	(10,007)	-	-	(12,504)
Advances-In	10,007	2,497	-	-	12,504
Refund of Prior Year Receipts	(41,615)	-	(4,036)	(639)	(46,290)
Total Other Financing Sources / (Uses)	(70,997)	29,616	(4,036)	(639)	(46,056)
Excess of Receipts and Other Financing Sources Over / (Under) Disbursements and Other Financing (Uses)	(119,278)	40,355	7,946	(33,346)	(104,323)
Fund Cash Balances, July 1	524,518	63,837	118,967	638,975	1,346,297
Fund Cash Balances, June 30	<u>\$ 405,240</u>	<u>\$ 104,192</u>	<u>\$ 126,913</u>	<u>\$ 605,629</u>	<u>\$ 1,241,974</u>
Reserved for Encumbrances	<u>\$ 16,249</u>	<u>\$ 2,214</u>	<u>\$ -</u>	<u>\$ 623</u>	<u>\$ 19,086</u>

The notes to the financial statement are an integral part of this statement.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
OPERATING RECEIPTS:			
Food Service	\$ 42,456	\$ -	\$ 42,456
Extracurricular Activities	-	53,639	53,639
Total Operating Receipts	<u>42,456</u>	<u>53,639</u>	<u>96,095</u>
OPERATING DISBURSEMENTS:			
Personal Services - Salaries	26,675	-	26,675
Employees' Retirement and Insurance	16,630	-	16,630
Purchased Services	279	21,522	21,801
Supplies and Materials	25,026	29,309	54,335
Other	4,745	3,469	8,214
Total Operating Disbursements	<u>73,355</u>	<u>54,300</u>	<u>127,655</u>
Operating Loss	<u>(30,899)</u>	<u>(661)</u>	<u>(31,560)</u>
NONOPERATING RECEIPTS:			
Earnings on Investments	21	92	113
Miscellaneous	55	8,510	8,565
State Restricted Grants-In-Aid	838	-	838
Federal Restricted Grants-In-Aid	38,791	-	38,791
Total Nonoperating Receipts	<u>39,705</u>	<u>8,602</u>	<u>48,307</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	<u>8,806</u>	<u>7,941</u>	<u>16,747</u>
OTHER FINANCING SOURCES / (USES)			
Transfers-Out	-	(1,340)	(1,340)
Transfers-In	-	1,106	1,106
Total Other Financing Sources / (Uses)	<u>-</u>	<u>(234)</u>	<u>(234)</u>
Net Income / (Loss)	8,806	7,707	16,513
Fund Cash Balances, July 1	<u>2,231</u>	<u>26,273</u>	<u>28,504</u>
Fund Cash Balances, June 30	<u>\$ 11,037</u>	<u>\$ 33,980</u>	<u>\$ 45,017</u>
Reserved for Encumbrances	<u>\$ -</u>	<u>\$ 5,258</u>	<u>\$ 5,258</u>

The notes to the financial statement are an integral part of this statement.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
ALL BUDGETED FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>Fund Types/ Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 2,205,080	\$ 2,196,522	\$ (8,558)
Special Revenue	488,493	484,379	(4,114)
Debt Service	60,959	60,959	-
Capital Projects	15,497	15,497	-
Proprietary			
Enterprise	82,178	82,161	(17)
Fiduciary			
Agency	<u>\$ 65,088</u>	<u>\$ 63,347</u>	<u>\$ (1,741)</u>
Totals (Memorandum Only)	<u>\$ 2,917,295</u>	<u>\$ 2,902,865</u>	<u>\$ (14,430)</u>

The notes to the financial statements are an integral part of this statement.

BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY

COMBINED STATEMENT OF DISBURSEMENTS COMPARED WITH
EXPENDITURE AUTHORITY
ALL BUDGETED FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Fund Types/ Funds</u>	<u>Prior Year Carryover Appropriation</u>	<u>Appropriations</u>	<u>Total</u>	<u>Disbursements</u>	<u>Encumbrances Outstanding 6/30/2007</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental							
General	\$ 29,445	\$ 2,376,744	\$ 2,406,189	\$ 2,323,310	\$ 16,249	\$ 2,339,559	\$ 66,630
Special Revenue	1,321	461,010	462,331	436,514	2,214	438,728	23,603
Debt Service	-	53,579	53,579	53,013	-	53,013	566
Capital Projects	11,546	42,366	53,912	48,843	623	49,466	4,446
Proprietary							
Enterprise	-	73,744	73,744	73,355	-	73,355	389
Fiduciary							
Agency	<u>3,186</u>	<u>57,764</u>	<u>60,950</u>	<u>55,640</u>	<u>5,258</u>	<u>60,898</u>	<u>52</u>
Totals (Memorandum Only)	<u>\$ 45,498</u>	<u>\$ 3,065,207</u>	<u>\$ 3,110,705</u>	<u>\$ 2,990,675</u>	<u>\$ 24,344</u>	<u>\$ 3,015,019</u>	<u>\$ 95,686</u>

The notes to the financial statements are an integral part of this statement.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE ENTITY

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 Sections 2 and 3, Article 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 currently operates one elementary school, one middle school, and one comprehensive high school located in one building. The District employs 10 non-certified and 23 certified employees to provide services to 220 students in grades K through 12.

Reporting Entity

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

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

The School District is associated with the Northern Ohio Educational Computer Association (NOECA) and North Central Ohio Trust (NCOT) which are defined as jointly governed organizations, and the Ohio School Boards Association Workers’ Compensation Group Rating Program, an insurance purchasing pool. The organizations are presented in Notes 11 and 12, respectively.

The following entities which perform activities within the School District’s boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District:

- Vanguard – Sentinel JVS
- North Central Ohio Educational Service Center

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts. The School District classifies each fund as either governmental, proprietary, or fiduciary.

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. The General Fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditure 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 for governmental funds only.

Capital Projects Funds

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. Classroom Maintenance funds are included in Capital Projects.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Type

Enterprise Funds

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods and 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 revenue earned, expenses, incurred, and/ or net income is appropriate for capital maintenance, public policies, management control, accountability, or other purposes.

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary funds are agency funds.

Agency Funds

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds are used to account for student-managed activities.

Budgetary Process

Budget

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, 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 express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Seneca County Budget Commission for rate determination.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

The County Budget Commission certifies its actions to the School District by September 1. As part of this certification, the School District receives the official certificate of estimated resources that states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2006 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

Equity in Pooled Cash

The District Treasurer invests all available funds in a non-interest bearing checking account, a sweep account, and certificates of deposit. All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to School Board policy.

Property, Plant, and Equipment

Fixed assets acquired or constructed for the School District are recorded as disbursements at the time of acquisition. Depreciation is not recorded for these fixed assets.

Compensated Absences

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

Long-Term Obligations

In general, bonds are not accrued, but rather are recorded as cash disbursements in the basic financial statements when paid.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Columns on Financial Statements

Total columns on the financial statements are captioned “memorandum only” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund – type eliminations have not been made in the aggregation of this data.

3. EQUITY IN POOLED CASH

The School District maintains a cash pool which is used by all funds. Each fund type’s portion of this pool is displayed on the “Combined Statement of Cash and Fund Cash Balances” as “Cash Balances by Fund Type”.

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

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

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

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

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

- A. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the 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;
- C. Written purchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- D. Bonds and other obligations of the State of Ohio;
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
- F. No-load money market mutual funds consisting exclusively of obligations described in division (A) or (B) 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;
- G. The State Treasurer’s investment pool (STAR Ohio);

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

3. EQUITY IN POOLED CASH (Continued)

H. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days and in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and

I. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. The School District maintains a cash pool which is used by all funds.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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 fiscal year-end, the carrying amount of the District's deposits was \$1,103,878 and the bank balance was \$1,138,359. Of the bank balance, \$188,837 was covered by federal deposit insurance and the remaining \$949,522 was collateralized by pledged securities held by the financial institution, but not in the District's name.

Cash with Fiscal Agents: At June 30, 2007, the District had \$182,947 in cash held by the Ohio Mid-Eastern Regional Education Service Center and \$166 in cash held by North Central Ohio Educational Service Center, which is included on the financial statements as "cash with fiscal agents". The money held by the fiscal agents cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants.

4. PROPERTY TAX

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar year 2007 for real and public utility property taxes represents collections of calendar year 2006 taxes. Property tax payments received during calendar year 2007 for tangible personal property (other than public utility property) are for calendar year 2006 taxes.

2007 real property taxes are levied after April 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2007 real property taxes are collected in and intended to finance fiscal year 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after April 1, 2007 and are collected in 2008 with real property taxes.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

4. PROPERTY TAX (Continued)

2007 tangible personal property taxes are levied after April 1, 2007, on the value as of December 31, 2006. Collections are made in 2008. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second-Half Collections		2007 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 17,766,180	81.84%	\$ 18,098,650	87.23%
Public Utility	1,386,720	6.39%	1,299,350	6.26%
Tangible Personal Property	2,555,603	11.77%	1,350,573	6.51%
Total Assessed Value	\$ 21,708,503	100.00%	\$ 20,748,573	100.00%
 Tax rate per \$1,000 of assessed valuation	\$ 35.00		\$ 35.00	

5. SCHOOL DISTRICT INCOME TAX (SDIT)

Bettsville Local Schools passed a 1% SDIT for five years with collection beginning January, 1994. The SDIT was renewed in 1999, 2004, and just renewed November, 2007 collection effective 2009. The SDIT has seen growth and averages about \$225,000 per year.

6. DEBT OBLIGATIONS

Debt outstanding at June 30, 2007 consisted of the following:

	Amount
	Outstanding
General Obligation Bonds:	06/30/07
2001 School Improvement Bonds 5.39%	\$ 505,000
	\$ 505,000

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

6. DEBT OBLIGATIONS (Continued)

During fiscal year 2001, the District issued \$610,000 in general obligation bonds to provide funds for the renovations of the school building and the construction of the high school addition. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as expenditure in the debt service fund. The source of payment is derived from a voted 3.00 mill bonded debt tax levy reduced to 2.7 mills.

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. Also a .5 mill levy was passed to fund the maintenance costs of the new facilities.

The annual requirements to amortize debt outstanding at June 30, 2007, including interest payments of \$282,889 are as follows:

Fiscal Year Ending June 30	School Improvement Bonds
2008	\$ 47,163
2009	46,318
2010	45,463
2011	44,598
2012	48,613
2013-2017	232,965
2018-2022	232,650
2023-2024	90,119
	\$ 787,889

7. LEASE OBLIGATION

During fiscal year 2006, the District entered into a capitalized lease for the acquisition of copiers. 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 financial statements for the general fund. Lease payments in the 2007 fiscal year totaled \$12,600, including interest, paid by the general fund.

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, 2007, including interest.

Fiscal Year Ending June 30	Amount
2008	\$ 12,600
2009	12,600
2010	12,600
2011	6,570
Present value of minimum lease payment	\$ 44,370

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

8. RISK MANAGEMENT

Insurance- Liability, building, & vehicles

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2007, the School District contracted with Ohio School Plans for liability, real property, building contents, boiler/ machinery and vehicles. Vehicles policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured.

Vehicles are covered the Ohio School Plan and include deductibles of \$1,000. Vehicle liability has a \$1,000,000 single occurrence limit. Professional and general liability is covered through the Ohio School Plan with a \$1,000,000 single occurrence limit and a \$3,000,000 aggregate limit.

Settled claims have not exceeded coverage in any of the past three years. There has been no significant change in coverage from the previous fiscal year.

Workers Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. 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 ensures 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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the Group Rating Program.

North Central Ohio Trust (NCOT)

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

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

9. 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 system. 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 per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$49,296, \$52,284, \$50,640, respectively; 100 percent has been contributed for fiscal years 2007, 2006 and 2005.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. STRS issues a publicly available, stand-alone financial report that includes financial statements and required information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions to the DC plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

The DB Plan Benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

9. PENSION PLANS (Continued)

The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

The DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Member contributions for the Combined Plan Benefits are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase or a lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

9. PENSION PLANS (Continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$140,160, \$146,136, and \$134,304, respectively; 100 percent has been contributed for fiscal years 2007, 2006 and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, one of the members of the Board of Education has elected Social Security. The District's liability is 6.2% of wages paid.

10. POST-EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. This amounted to 3,521 for the fiscal year ended June 30, 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS had 119,184 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing healthcare benefits. At June 30, 2007, the healthcare allocation was 3.32 percent. In addition, SERS levies a surcharge to fund healthcare benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay has been established as \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$8,465.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

11. JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

NOECA was created as a regional council of governments pursuant to State statutes. NOECA is a computer consortium 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. NOECA has 41 participant school districts and ESCs. NOECA's governing board is selected by the member districts. NOECA possesses its own budgeting and taxing authority. To obtain financial information, contact Betty Schwiefert, who serves as controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

12. PURCHASING POOLS

Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan

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

North Central Ohio Trust (NCOT)

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

13. STATUTORY RESERVES

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The following information describes the change in the year end set-aside amounts for textbooks and instructional materials and capital acquisition. Disclosure of this information is required by State Statute.

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2007	\$ (3,415)	\$ (504,509)
Current Year Set-aside Requirement	31,072	31,072
Qualifying Disbursements	(28,819)	-
Total	(1,162)	(473,437)
Balance carried forward to FY08	\$ (1,162)	\$ (473,437)

The School District had qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amount to below zero. These extra amounts may be used to reduce the set-aside requirement of future years.

The Board of Education pass a resolution during fiscal year 2007 to eliminate the budget stabilization, with a balance of \$34,604 at July 1, 2006.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

14. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

C. Refund of Personal Property Taxes

Personal Property Tax was paid in error to Bettsville Schools in October 2004 by GE Capital for Maple Grove Quarry. On, September 2, 2006 a refund check for \$46,290 was sent to the Seneca County Auditor.

15. INTERFUND ACTIVITY

The District made the following transfers during fiscal year 2007:

<u>Interfund Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<i>Fund Type:</i>		
General fund	\$ -	\$ 36,892
Special Revenue	37,126	-
Agency	1,106	1,340
Total Transfers	\$ 38,232	\$ 38,232

The General fund transferred unrestricted funds to various special revenue funds to subsidize operations. Transfers were made between agency fund special cost centers to close out old programs.

<u>Interfund Advances</u>	<u>Advance In</u>	<u>Advance Out</u>
<i>Fund Type:</i>		
General fund	\$ 10,007	\$ 2,497
Special Revenue	2,497	10,007
Total Advances	\$ 12,504	\$ 12,504

The General fund advanced funds to various special revenue funds to provide operating funds until grant draw down requests were received. The General fund received repayments on prior advances made to special revenue funds.

16. COMPLIANCE

Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(B) require the School District to prepare its financial statements in accordance with generally accepted accounting principles. However, the School District opts to prepare its financial statements in accordance with the cash basis of accounting.

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

17. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended June 30, 2007, the District opted to report on the cash basis of accounting. The District previously reported on the accrual/modified accrual basis of accounting in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The following adjustments are necessary to restate the District’s beginning net assets/fund balances in accordance with the cash basis of accounting.

	Governmental Activities	General Fund	Permanent Improvement Fund	Migrant Fund	Other Governmental Funds
Net Assets/Fund Balances, June 30, 2006	\$6,135,064	\$414,460	\$624,677	\$90,107	\$142,113
Fund Reclassifications	0	0	(624,677)	(32,131)	(167,202)
Adjustments*	(6,135,064)	110,058	0	(57,976)	25,089
Adjusted Net Assets/Fund Balances, June 30, 2006	<u>\$0</u>	<u>\$524,518</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Proprietary Funds	Agency Funds
Fund Balances, June 30, 2006	\$0	\$0	\$0	\$0	\$0
Fund Reclassifications	63,837	118,967	638,975	2,231	26,273
Adjusted Fund Balances, June 30, 2006	<u>\$63,837</u>	<u>\$118,967</u>	<u>\$638,975</u>	<u>\$2,231</u>	<u>\$26,273</u>

*Adjustments necessary to restate from full/modified accrual to cash basis of accounting. Governmental activities were restated to a zero balance because entity-wide statements are not presented on the cash basis of accounting.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Bettsville Local School District
P.O. Box 6
Bettsville, Ohio 44815

We have audited the accompanying financial statements of the Bettsville Local School District, Seneca County, Ohio (the District), as of and for the years ended June 30, 2007, and have issued our report thereon dated December 14, 2007, wherein we noted the District changed its basis of accounting to the cash basis of accounting and that, as a result, we issued an adverse opinion. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. This item is identified in the accompanying schedule of findings and responses as item 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

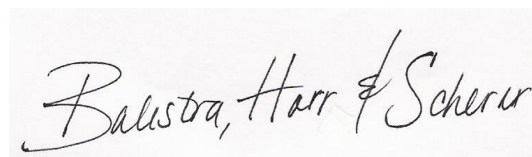
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or another matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2007- 001.

We noted certain matters that we reported to management of the District in a separate letter dated December 14, 2007.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Balestra, Harr & Scherer, CPAs, Inc.

December 14, 2007

**BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2007**

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements in accordance with the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements and notes omitted assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles as required.

Client Response:

The Bettsville Board of Education voted March 12, 2007 to not continue GAAP, but to return to reporting on a cash basis for the future.

FINDING NUMBER 2007-002

Material Weakness

We noted several instances in which transactions were not posted to correct line items or not recorded in the District's financial records. Several adjustments were posted to the financial statements to properly reflect cash-basis activity. Errors were the result of a lack of controls over the financial reporting. Inaccurate or incomplete reporting impedes the ability of the Board of Education or other intended users to accurately assess the financial status of the District. The District should adopt policies and procedures, including a final review of the financial statements by the Board of Education or other outside party, to ensure that errors and omissions are timely identified.

Client Response:

This is the first time that the Treasurer did the financial reports. In the future, additional line items will be added to the worksheet as needed.



Mary Taylor, CPA
Auditor of State

BETTSVILLE LOCAL SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 5, 2008**