

Bettsville Local School District  
Seneca County, Ohio

Regular Audit

July 1, 2007, through June 31, 2008  
Fiscal Years Audited Under GAGAS: 2008



**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, 2007 through June 30, 2008. 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

April 1, 2009

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**BETTSVILLE LOCAL SCHOOL DISTRICT**  
*Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008

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Ohio Society of Certified Public Accountants

**Independent Auditor's Report**

Betsville Local School District  
Seneca County  
118 Washington St.  
Betsville, Ohio 44815

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Betsville Local School District, Seneca County, Ohio, (the School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 opinions.

Ohio Administrative Code § 117-2-03 (B) requires the School 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 follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

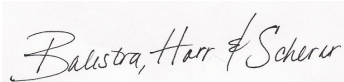
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2008, and the respective changes in cash basis financial position and the respective budgetary comparison of the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2009, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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.

Board of Education  
Bettsville Local School District  
Independent Auditor's Report  
Page 2

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 14 to the basic financial statements, the School District revised its financial presentation comparable to requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37 *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The School District also has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, GASB Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*.



Balestra, Harr & Scherer, CPAs, Inc.  
February 18, 2009



**Bettsville Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
(Unaudited)

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As management of the Bettsville Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2008 within the limitations of the School District's cash basis of accounting. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

**FINANCIAL HIGHLIGHTS**

Net assets of governmental activities decreased \$99,881.

General cash receipts accounted for \$1,916,338 or 68 percent of total receipts. Program specific cash receipts in the form of charges for services and sales, grants, and contributions accounted for \$909,881 or 32 percent of total cash receipts of \$2,826,219.

The School District had \$2,926,100 in cash disbursements related to governmental activities; only \$909,881 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions. General cash receipts (primarily grants, entitlements, and property taxes) of \$1,916,338 were not adequate to provide for these programs.

**USING THE BASIC FINANCIAL STATEMENTS**

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

**REPORT COMPONENTS**

The *Statement of Net Assets* and *Statement of Activities* provide information about the cash basis activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specific purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

**BASIS OF ACCOUNTING**

The basis of accounting is a set of guidelines that determines when financial events are recorded. The School District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Bettsville Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
(Unaudited)

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## **REPORTING THE DISTRICT AS A WHOLE**

### ***Statement of Net Assets and Statement of Activities***

The statement of net assets and the statement of activities reflect how the School District did financially during 2008, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

In the statement of net assets and the statement of activities, the School District has one type of activity.

- Governmental activities – Most of the School District's programs and services are reported here including instruction and support services.

### **Reporting the School District's Most Significant Funds**

#### ***Fund Financial Statements***

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Permanent Improvement Fund.

*Governmental Funds* Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the net assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross receipts and disbursements on the fund financial statements to the statement of activities due to transfers and advances netted on the statement of activities. See Note 2 to the basic financial statements for more information.

**Bettsville Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
(Unaudited)

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***Fiduciary Funds***

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 fund is an agency fund. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The School District's agency fund is used to maintain financial activity of the School District's student managed activities. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

(Table 1)  
Net Assets

|                   | Governmental Activities |              |
|-------------------|-------------------------|--------------|
|                   | 2008                    | 2007         |
| <b>Assets</b>     |                         |              |
| Current Assets    | \$ 1,153,130            | \$ 1,253,011 |
| Total Assets      | 1,153,130               | 1,253,011    |
| <b>Net Assets</b> |                         |              |
| Restricted        | 872,668                 | 847,771      |
| Unrestricted      | 280,462                 | 405,240      |
| Total Net Assets  | \$ 1,153,130            | \$ 1,253,011 |

Cash and cash equivalents decreased \$99,881, due mainly to increased disbursements which was only partially offset by increased receipts.

**Bettsville Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008. Since this is the first year for the School District to present its financial report using the GASB 34 format, receipt and disbursement comparisons to 2007 are not presented. Comparisons to prior years will be presented in future years as information becomes available.

(Table 2)  
Change in Net Assets

|                                                                | Governmental<br>Activities |
|----------------------------------------------------------------|----------------------------|
|                                                                | 2008                       |
| <b>Cash Receipts</b>                                           |                            |
| Program Cash Receipts:                                         |                            |
| Charges for Services and Sales                                 | \$ 318,181                 |
| Operating Grants and Contributions                             | 591,700                    |
| Total Program Cash Receipts                                    | 909,881                    |
| General Cash Receipts:                                         |                            |
| Property Taxes                                                 | 450,977                    |
| Income Tax                                                     | 237,865                    |
| Grants and Entitlements not Restricted<br>to Specific Programs | 1,097,838                  |
| Contributions and Donations                                    | 33,213                     |
| Interest                                                       | 56,534                     |
| Miscellaneous                                                  | 39,911                     |
| Total General Cash Receipts                                    | 1,916,338                  |
| Total Cash Receipts                                            | 2,826,219                  |
| <b>Program Cash Disbursements</b>                              |                            |
| Instruction:                                                   |                            |
| Regular                                                        | 1,181,773                  |
| Special                                                        | 499,612                    |
| Support Services:                                              |                            |
| Pupils                                                         | 102,391                    |
| Instructional Staff                                            | 44,087                     |
| Board of Education                                             | 11,251                     |
| Administration                                                 | 307,827                    |
| Fiscal                                                         | 169,350                    |
| Operation and Maintenance of Plant                             | 261,566                    |
| Pupil Transportation                                           | 114,283                    |
| Central                                                        | 319                        |
| Operation of Non-Instructional Services                        | 89,382                     |
| Extracurricular Activities                                     | 84,496                     |
| Debt Service:                                                  |                            |
| Principal                                                      | 29,861                     |
| Interest and Fiscal Charges                                    | 29,902                     |
| Total Cash Disbursements                                       | 2,926,100                  |
| Change in Net Assets                                           | (99,881)                   |
| Net Assets, Beginning of the Year - As Restated                | 1,253,011                  |
| Net Assets, End of the Year                                    | \$ 1,153,130               |

**Bettsville Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
(Unaudited)

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**Governmental Activities**

Grants and entitlements not restricted to specific programs made up 39 percent of cash receipts for governmental activities of the School District for fiscal year 2008. Property tax receipts made up 16 percent of the total cash receipts for governmental activities for a total of 55 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs. Operating grants and contributions made up 21 percent of cash receipts for governmental activities.

Regular instruction comprises 40 percent of governmental program cash disbursements. Special instruction comprises 17 percent of governmental cash disbursements.

The statement of activities shows the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program cash receipts. Net costs are costs that must be covered by general receipts, such as unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent charges for services, restricted grants, fees and donations.

(Table 3)  
Governmental Activities

|                                         | Total Cost<br>of Services<br>2008 | Net Cost<br>of Services<br>2008 |
|-----------------------------------------|-----------------------------------|---------------------------------|
| Instruction                             | \$ 1,681,385                      | \$ 1,186,151                    |
| Support Services                        | 1,011,074                         | 758,405                         |
| Operation of Non-Instructional Services | 89,382                            | (23,021)                        |
| Extracurricular Activities              | 84,496                            | 37,027                          |
| Principal                               | 29,861                            | 28,212                          |
| Interest and Fiscal Charges             | 29,902                            | 29,445                          |
| Total Cash Disbursements                | \$ 2,926,100                      | \$ 2,016,219                    |

Since this is the first year for the School District to present its financial report using the GASB 34 format, comparisons to 2007 are not presented. Comparisons to prior years will be presented in future years as information becomes available.

**The School District's Funds**

The School District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing receipts of \$2,846,465 and cash disbursements and other financing disbursements of \$2,946,346. The most significant change in fund balance was in the General Fund where the fund balance decreased by \$84,012.

For the General Fund, tuition and fees increased by \$41,967, while miscellaneous receipts decreased \$90,107. These changes were partially offset by increases in cash disbursements for special instruction of \$18,259 and operation and maintenance of plant of \$16,670.

For the Bond Retirement Fund, the fund balance increased \$8,501.

For the Permanent Improvement Fund, cash disbursements exceeded cash receipts resulting in a decrease in fund balance in the amount of \$4,582.

**Bettsville Local School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2008  
 (Unaudited)

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**General Fund - Budget Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2008, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's original and final budgeted amounts are listed on page 13, as well as the actual amounts. A variance comparison is presented between the final budgeted amounts and the actual amounts.

For fiscal year 2008, the School District filed an amended certificate of estimated receipts. For the General Fund, final estimated receipts were \$2,206,508, with original estimated receipts of \$1,840,377, a increase of \$366,131 due mainly to revisions in foundation receipt estimates. Actual receipts were \$2,216,912, \$10,404 above the final estimated receipts. Interest receipts were higher than anticipated.

At the end of fiscal year 2008, the School District filed an amended appropriations resolution. This resulted in the General Fund's final appropriations increasing \$47,230 from the original appropriations due mainly to higher than expected operation and maintenance of plant and extracurricular activities disbursements. Actual disbursements were \$2,319,735, \$11,246 less than final estimated disbursements.

**Capital Assets**

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had no capital outlay disbursements during fiscal year 2008.

**Debt**

Under the cash basis of accounting, the School District does not report bonds or capital leases in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and capital leases. At June 30, 2008, the School District had \$514,675 in outstanding bonds and capital leases. For additional information regarding debt, please see Notes 8 and 9 to the basic financial statements. Table 4 summarizes the outstanding debt.

(Table 4)  
 Outstanding Debt, at Year End  
 Governmental Activities

|                               | 2008       | 2007       |
|-------------------------------|------------|------------|
| 2001 School Improvement Bonds | \$ 485,000 | \$ 505,000 |
| Capital Leases                | 29,675     | 39,536     |
| Totals                        | \$ 514,675 | \$ 544,536 |

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Roger Luhning, Treasurer at Bettsville Local School District, 118 Washington Street, Bettsville, Ohio 44815, or email [rluhning@bettsville.k12.oh.us](mailto:rluhning@bettsville.k12.oh.us).

**Bettsville Local School District**  
Statement of Net Assets - Cash Basis  
June 30, 2008

|                                              | <b>Governmental<br/>Activities</b> |
|----------------------------------------------|------------------------------------|
| <b>ASSETS:</b>                               |                                    |
| Equity in pooled cash and cash equivalents   | \$ 1,001,457                       |
| Cash and cash equivalents with fiscal agents | 110,907                            |
| Restricted Assets:                           |                                    |
| Equity in pooled cash and cash equivalents   | 40,766                             |
| <i>Total Assets</i>                          | 1,153,130                          |
| <b>NET ASSETS:</b>                           |                                    |
| Restricted for debt service                  | 135,414                            |
| Restricted for capital outlay                | 591,301                            |
| Restricted for other purposes                | 105,187                            |
| Restricted for set-asides                    | 40,766                             |
| Unrestricted                                 | 280,462                            |
| <i>Total Net Assets</i>                      | \$ 1,153,130                       |

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

**Bettsville Local School District**  
Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2008

|                                                              | <u>Cash</u><br><u>Disbursements</u> | <u>Program Cash Receipts</u>                              |                                                               | <u>Net (Disbursement)</u><br><u>Receipt and</u><br><u>Changes in</u><br><u>Net Assets</u> |
|--------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------------------------------|
|                                                              |                                     | <u>Charges for</u><br><u>Services and</u><br><u>Sales</u> | <u>Operating Grants</u><br><u>and</u><br><u>Contributions</u> | <u>Governmental</u><br><u>Activities</u>                                                  |
| Governmental Activities:                                     |                                     |                                                           |                                                               |                                                                                           |
| Instruction:                                                 |                                     |                                                           |                                                               |                                                                                           |
| Regular                                                      | \$ 1,181,773                        | \$ 125,333                                                | \$ 44,588                                                     | \$ (1,011,852)                                                                            |
| Special                                                      | 499,612                             | 22,284                                                    | 303,029                                                       | (174,299)                                                                                 |
| Support Services:                                            |                                     |                                                           |                                                               |                                                                                           |
| Pupils                                                       | 102,391                             | 11,391                                                    | 427                                                           | (90,573)                                                                                  |
| Instructional staff                                          | 44,087                              | 4,592                                                     | 2,449                                                         | (37,046)                                                                                  |
| Board of education                                           | 11,251                              | 1,258                                                     | -                                                             | (9,993)                                                                                   |
| Administration                                               | 307,827                             | 28,252                                                    | 44,674                                                        | (234,901)                                                                                 |
| Fiscal                                                       | 169,350                             | 17,098                                                    | 12,476                                                        | (139,776)                                                                                 |
| Operation and maintenance of plant                           | 261,566                             | 27,256                                                    | 14,433                                                        | (219,877)                                                                                 |
| Pupil transportation                                         | 114,283                             | 9,540                                                     | 78,823                                                        | (25,920)                                                                                  |
| Central                                                      | 319                                 | -                                                         | -                                                             | (319)                                                                                     |
| Operation of non-instructional services                      | 89,382                              | 40,036                                                    | 72,367                                                        | 23,021                                                                                    |
| Extracurricular activities                                   | 84,496                              | 29,845                                                    | 17,624                                                        | (37,027)                                                                                  |
| Debt service:                                                |                                     |                                                           |                                                               |                                                                                           |
| Principal                                                    | 29,861                              | 1,015                                                     | 634                                                           | (28,212)                                                                                  |
| Interest and fiscal charges                                  | 29,902                              | 281                                                       | 176                                                           | (29,445)                                                                                  |
| <i>Total Governmental Activities</i>                         | <u>\$ 2,926,100</u>                 | <u>\$ 318,181</u>                                         | <u>\$ 591,700</u>                                             | (2,016,219)                                                                               |
| General Cash Receipts:                                       |                                     |                                                           |                                                               |                                                                                           |
| Property taxes levied for:                                   |                                     |                                                           |                                                               |                                                                                           |
| General purposes                                             |                                     |                                                           |                                                               | 394,829                                                                                   |
| Other purposes                                               |                                     |                                                           |                                                               | 8,400                                                                                     |
| Debt service                                                 |                                     |                                                           |                                                               | 47,748                                                                                    |
| Income tax                                                   |                                     |                                                           |                                                               | 237,865                                                                                   |
| Grants and entitlements, not restricted to specific programs |                                     |                                                           |                                                               | 1,097,838                                                                                 |
| Gifts and donations, not restricted to specific programs     |                                     |                                                           |                                                               | 33,213                                                                                    |
| Interest                                                     |                                     |                                                           |                                                               | 56,534                                                                                    |
| Miscellaneous                                                |                                     |                                                           |                                                               | 39,911                                                                                    |
| <i>Total General Cash Receipts</i>                           |                                     |                                                           |                                                               | <u>1,916,338</u>                                                                          |
| <i>Change in Net Assets</i>                                  |                                     |                                                           |                                                               | (99,881)                                                                                  |
| <i>Net Assets Beginning of Year - As Restated</i>            |                                     |                                                           |                                                               | <u>1,253,011</u>                                                                          |
| <i>Net Assets End of Year</i>                                |                                     |                                                           |                                                               | <u>\$ 1,153,130</u>                                                                       |

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



**Bettsville Local School District**  
Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2008

|                                               | <u>General</u>    | <u>Bond<br/>Retirement</u> | <u>Permanent<br/>Improvement</u> | <u>All Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-----------------------------------------------|-------------------|----------------------------|----------------------------------|---------------------------------------------|-----------------------------------------|
| <b>ASSETS:</b>                                |                   |                            |                                  |                                             |                                         |
| Equity in pooled cash and cash equivalents    | \$ 169,649        | \$ 135,414                 | \$ 591,301                       | \$ 105,093                                  | \$ 1,001,457                            |
| Cash and cash equivalents with fiscal agents  | 110,813           | -                          | -                                | 94                                          | 110,907                                 |
| <b>Restricted Assets:</b>                     |                   |                            |                                  |                                             |                                         |
| Equity in pooled cash and cash equivalents    | 40,766            | -                          | -                                | -                                           | 40,766                                  |
| <i>Total Assets</i>                           | <u>\$ 321,228</u> | <u>\$ 135,414</u>          | <u>\$ 591,301</u>                | <u>\$ 105,187</u>                           | <u>\$ 1,153,130</u>                     |
| <b>FUND BALANCES:</b>                         |                   |                            |                                  |                                             |                                         |
| <b>Reserved:</b>                              |                   |                            |                                  |                                             |                                         |
| Reserved for encumbrances                     | \$ 18,811         | \$ -                       | \$ -                             | \$ 1,668                                    | \$ 20,479                               |
| Reserved for textbooks                        | 12,371            | -                          | -                                | -                                           | 12,371                                  |
| Reserved for capital improvements             | 28,395            | -                          | -                                | -                                           | 28,395                                  |
| <b>Unreserved, Undesignated, Reported in:</b> |                   |                            |                                  |                                             |                                         |
| General fund                                  | 261,651           | -                          | -                                | -                                           | 261,651                                 |
| Special revenue funds                         | -                 | -                          | -                                | 103,519                                     | 103,519                                 |
| Debt service funds                            | -                 | 135,414                    | -                                | -                                           | 135,414                                 |
| Capital projects funds                        | -                 | -                          | 591,301                          | -                                           | 591,301                                 |
| <i>Total Fund Balances</i>                    | <u>\$ 321,228</u> | <u>\$ 135,414</u>          | <u>\$ 591,301</u>                | <u>\$ 105,187</u>                           | <u>\$ 1,153,130</u>                     |

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

**Bettsville Local School District**  
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008

|                                                                | <u>General</u>    | <u>Bond<br/>Retirement</u> | <u>Permanent<br/>Improvement</u> | <u>All Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|----------------------------------------------------------------|-------------------|----------------------------|----------------------------------|---------------------------------------------|-----------------------------------------|
| <b>CASH RECEIPTS:</b>                                          |                   |                            |                                  |                                             |                                         |
| Property taxes                                                 | \$ 394,829        | \$ 47,748                  | \$ -                             | \$ 8,400                                    | \$ 450,977                              |
| Income tax                                                     | 237,865           | -                          | -                                | -                                           | 237,865                                 |
| Intergovernmental                                              | 1,198,683         | 8,960                      | -                                | 479,991                                     | 1,687,634                               |
| Interest                                                       | 54,858            | -                          | 1,639                            | 37                                          | 56,534                                  |
| Tuition and fees                                               | 235,229           | -                          | -                                | -                                           | 235,229                                 |
| Rent                                                           | 20,086            | -                          | -                                | -                                           | 20,086                                  |
| Extracurricular activities                                     | -                 | -                          | -                                | 22,830                                      | 22,830                                  |
| Gifts and donations                                            | 33,213            | -                          | -                                | 1,904                                       | 35,117                                  |
| Customer sales and services                                    | -                 | -                          | -                                | 40,036                                      | 40,036                                  |
| Miscellaneous                                                  | 39,652            | -                          | -                                | 259                                         | 39,911                                  |
| <i>Total Cash Receipts</i>                                     | <u>2,214,415</u>  | <u>56,708</u>              | <u>1,639</u>                     | <u>553,457</u>                              | <u>2,826,219</u>                        |
| <b>CASH DISBURSEMENTS:</b>                                     |                   |                            |                                  |                                             |                                         |
| Current:                                                       |                   |                            |                                  |                                             |                                         |
| Instruction:                                                   |                   |                            |                                  |                                             |                                         |
| Regular                                                        | 1,120,800         | -                          | 5,902                            | 55,071                                      | 1,181,773                               |
| Special                                                        | 199,272           | -                          | -                                | 300,340                                     | 499,612                                 |
| Support Services:                                              |                   |                            |                                  |                                             |                                         |
| Pupils                                                         | 101,863           | -                          | -                                | 528                                         | 102,391                                 |
| Instructional staff                                            | 41,062            | -                          | -                                | 3,025                                       | 44,087                                  |
| Board of education                                             | 11,251            | -                          | -                                | -                                           | 11,251                                  |
| Administration                                                 | 252,650           | -                          | -                                | 55,177                                      | 307,827                                 |
| Fiscal                                                         | 152,897           | 1,044                      | -                                | 15,409                                      | 169,350                                 |
| Operation and maintenance of plant                             | 243,740           | -                          | -                                | 17,826                                      | 261,566                                 |
| Pupil transportation                                           | 85,312            | -                          | -                                | 28,971                                      | 114,283                                 |
| Central                                                        | -                 | -                          | 319                              | -                                           | 319                                     |
| Operation of non-instructional services                        | -                 | -                          | -                                | 89,382                                      | 89,382                                  |
| Extracurricular activities                                     | 62,728            | -                          | -                                | 21,768                                      | 84,496                                  |
| Debt service:                                                  |                   |                            |                                  |                                             |                                         |
| Principal                                                      | 9,078             | 20,000                     | -                                | 783                                         | 29,861                                  |
| Interest and fiscal charges                                    | 2,522             | 27,163                     | -                                | 217                                         | 29,902                                  |
| <i>Total Cash Disbursements</i>                                | <u>2,283,175</u>  | <u>48,207</u>              | <u>6,221</u>                     | <u>588,497</u>                              | <u>2,926,100</u>                        |
| <i>Excess of Cash Receipts Over (Under) Cash Disbursements</i> | <u>(68,760)</u>   | <u>8,501</u>               | <u>(4,582)</u>                   | <u>(35,040)</u>                             | <u>(99,881)</u>                         |
| <b>OTHER FINANCING RECEIPTS AND DISBURSEMENTS:</b>             |                   |                            |                                  |                                             |                                         |
| Transfers in                                                   | -                 | -                          | -                                | 17,749                                      | 17,749                                  |
| Advances in                                                    | 2,497             | -                          | -                                | -                                           | 2,497                                   |
| Transfers out                                                  | (17,749)          | -                          | -                                | -                                           | (17,749)                                |
| Advances out                                                   | -                 | -                          | -                                | (2,497)                                     | (2,497)                                 |
| <i>Total Other Financing Receipts and Disbursements</i>        | <u>(15,252)</u>   | <u>-</u>                   | <u>-</u>                         | <u>15,252</u>                               | <u>-</u>                                |
| <i>Net Change in Fund Balances</i>                             | (84,012)          | 8,501                      | (4,582)                          | (19,788)                                    | (99,881)                                |
| <i>Fund Balances at Beginning of Year - As Restated</i>        | <u>405,240</u>    | <u>126,913</u>             | <u>595,883</u>                   | <u>124,975</u>                              | <u>1,253,011</u>                        |
| <i>Fund Balances at End of Year</i>                            | <u>\$ 321,228</u> | <u>\$ 135,414</u>          | <u>\$ 591,301</u>                | <u>\$ 105,187</u>                           | <u>\$ 1,153,130</u>                     |

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

**Bettsville Local School District**  
Statement of Cash Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual (Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2008

|                                                       | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u>     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|-------------------------------------------------------|------------------------|---------------------|-------------------|-------------------------------------------------------------------|
| Total receipts and other financing receipts           | \$ 1,840,377           | \$ 2,206,508        | \$ 2,216,912      | \$ 10,404                                                         |
| Total disbursements and other financing disbursements | <u>2,283,751</u>       | <u>2,330,981</u>    | <u>2,319,735</u>  | <u>11,246</u>                                                     |
| Net Change in Fund Balance                            | (443,374)              | (124,473)           | (102,823)         | 21,650                                                            |
| Fund Balance at Beginning of Year                     | 388,990                | 388,990             | 388,990           | -                                                                 |
| Prior Year Encumbrances Appropriated                  | <u>16,250</u>          | <u>16,250</u>       | <u>16,250</u>     | <u>-</u>                                                          |
| Fund Balance at End of Year                           | <u>\$ (38,134)</u>     | <u>\$ 280,767</u>   | <u>\$ 302,417</u> | <u>\$ 21,650</u>                                                  |

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

**Bettsville Local School District**  
Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
June 30, 2008

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|                                            | <u>Agency Fund</u> |
|--------------------------------------------|--------------------|
| ASSETS:                                    |                    |
| Equity in Pooled Cash and Cash Equivalents | \$ 29,897          |
| <i>Total Assets</i>                        | <u>\$ 29,897</u>   |
| NET ASSETS:                                |                    |
| Unrestricted                               | \$ 29,897          |
| <i>Total Net Assets</i>                    | <u>\$ 29,897</u>   |

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

**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School 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 School District currently operates one elementary school, one middle school, and one comprehensive high school located in one building. The School District employs 10 non-certified and 23 certified employees to provide services to 199 students in grades K through 12.

*The 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 organization’s 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 organization’s 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 School 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), which is defined as a jointly governed organization, the Ohio School Boards Association Workers’ Compensation Group Rating Program, an insurance purchasing pool, and North Central Ohio Trust (NCOT), a public entity shared risk pool. These organizations are presented in Notes 10 and 11 to the basic financial statements.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The School District uses the provisions of GASB 34 for financial reporting on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, and GASB 38, for certain financial statement note disclosures. The School District’s basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

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

*Government-wide Financial Statements*

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

*Fund Financial Statements*

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the School District fall within two categories: governmental and fiduciary.

*Governmental Funds:*

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

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt.

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for the acquisition, construction or improvement of capital facilities other than those financed by proprietary and trust funds.

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

**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

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

*Fiduciary Funds:*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The School District has one fiduciary fund: an agency fund, used to account for student activity programs.

**C. 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 and notes in accordance with the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

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

*Cash Receipts - Exchange and Non-exchange Transactions*

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

*Cash Disbursements*

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

**D. Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

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

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

**Encumbrances**

Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract related disbursements. An encumbrance is a reserve on the available spending authority due to a commitment for a future disbursement. On the fund financial statements encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent year disbursements for governmental funds. A reserve for encumbrance is not reported on the government-wide financial statements.

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District also reports "Cash and Cash Equivalents with Fiscal Agents" which reports cash held by outside parties for investment pooling and pass-through grant administering purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund, the Permanent Improvement Fund, and all other governmental funds during fiscal year 2008 amounted to \$54,858, \$1,639 and \$37, respectively.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**F. Capital Assets**

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

**G. 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.

**H. Long-Term Obligations**

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District. See Note 12 for more information regarding set-asides.



**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

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

**J. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and set-asides for textbooks and capital improvements.

**K. Net Assets**

Net assets represent the cash assets held by the School District at year end. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for grants. The School District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available.

Of the School District's \$831,902 of restricted net assets, none are restricted by enabling legislation.

**L. Interfund Transactions**

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the basic financial statements. In the government-wide financial statements transfers within governmental activities are eliminated. Flows of cash from one fund to another with a requirement for repayment are reported as advances in and out. Advances between governmental activities are eliminated in the statement of activities.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of cash receipts, disbursements and changes in fund balance – budget and actual (budgetary basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances, which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at June 30, 2008 amounted to \$18,811 for the General Fund.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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 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.

**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

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**NOTE 4 – DEPOSITS AND INVESTMENTS** (continued)

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the School District;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the School District lends securities and the eligible institutions agree to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the School District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the School District's total average portfolio.

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, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

*Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2008, the School District's bank balance of \$1,016,186 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

*Cash with Fiscal Agents:* At June 30, 2008, the School District had \$110,813 in cash held by the Ohio Mid-Eastern Regional Educational Service Center and \$94 in cash held by North Central Ohio Educational Service Center, which are included on the financial statements as "cash and cash equivalents 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.

*Investments:* As of June 30, 2008, the School District had no investments.

**NOTE 5 - PROPERTY TAXES**

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 (used in business) located in the School District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2006. Tangible personal property is currently assessed at twelve and one half percent of true value. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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 School District due to the phasing out of the tax. In calendar years 2006 through 2010, the School District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011 through 2017, the reimbursements will be phased out.

**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

**NOTE 5 - PROPERTY TAXES** (continued)

The School District receives property taxes from Seneca County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2008 taxes were collected are:

|                                                   | 2007 Second-<br>Half Collections |                | 2008 First-<br>Half Collections |                |
|---------------------------------------------------|----------------------------------|----------------|---------------------------------|----------------|
|                                                   | Amount                           | Percent        | Amount                          | Percent        |
| Agricultural/Residential<br>and Other Real Estate | \$18,098,650                     | 87.23%         | \$18,204,020                    | 90.84%         |
| Public Utility                                    | 1,299,350                        | 6.26%          | 1,151,950                       | 5.75%          |
| Tangible Personal Property                        | 1,350,573                        | 6.51%          | 683,175                         | 3.41%          |
| Total Assessed Value                              | <u>\$20,748,573</u>              | <u>100.00%</u> | <u>\$20,039,145</u>             | <u>100.00%</u> |
| Tax rate per \$1,000 of<br>assessed valuation     | \$35.00                          |                | \$37.50                         |                |

**NOTE 6 - RISK MANAGEMENT**

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, 2008, the School District contracted with Ohio School Plan for coverage 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.

|                                                                                                                                           |             |
|-------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Property - including inland marine, miscellaneous equipment, and<br>automobile physical damage catastrophic coverage (\$1,000 deductible) | \$7,219,922 |
| Automobile liability (zero deductible)                                                                                                    | 1,000,000   |
| Uninsured Motorists (zero deductible)                                                                                                     | 1,000,000   |
| General Liability:                                                                                                                        |             |
| Per occurrence                                                                                                                            | 1,000,000   |
| Annual Aggregate                                                                                                                          | 3,000,000   |

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

The School District participates in the North Central Ohio Trust, a public entity shared risk pool (Note 11) 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 School 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**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

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**NOTE 6 - RISK MANAGEMENT** (continued)

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS**

**A. Defined Benefit Pension Plans**

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, at [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ending 2008, it was determined the employer contribution rate to pension and death benefits to be 9.16%. The remaining 4.84% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$43,192, \$49,296, and \$52,284, respectively; which were equal to the required amounts for those years.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

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**NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Plan Options** – 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 among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into 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 DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – 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. The annual allowance is calculated by using a base percentage of 2.2% 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%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% 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% instead of 2.2%. 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.

**DC Plan Benefits** – 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% 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 a 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.

**Combined Plan Benefits** – Member contributions 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% 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 an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB 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.

**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

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**NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB 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.

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% for members and 14% for employers.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$138,363, \$140,160, and \$146,136, respectively; which were equal to the required amounts for those years.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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, 2008, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**B. Postemployment Benefits**

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. For the School District, these amounts equaled \$9,822, \$9,846, and \$9,883 for fiscal years 2008, 2007, and 2006, respectively.

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

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**NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS** (continued)

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2008, 2007, and 2006, the actuarially required allocations were 0.66 percent, 0.68 percent, and 0.78 percent, respectively. For the School District, contributions for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,033, \$2,133, and \$2,036, respectively, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, 2007, and 2006, the health care allocations were 4.18 percent, 3.32 percent, and 3.42 percent, respectively. The actuarially required contribution (ARC), as of the June 30, 2008 annual valuation, was 13.41 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2008, 2007, and 2006 fiscal years equaled \$16,005, \$16,307, and \$19,066, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.



**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

**NOTE 8 – CAPITAL LEASES - LESSEE DISCLOSURE**

During a previous fiscal year, the School 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 and Migrant Funds. Lease payments in the fiscal year 2008 totaled \$12,600.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2008:

| Fiscal Year Ending June 30,                 |           |
|---------------------------------------------|-----------|
| 2009                                        | \$ 12,600 |
| 2010                                        | 12,600    |
| 2011                                        | 8,400     |
| Total                                       | 33,600    |
| Less: Amount Representing Interest          | (3,925)   |
| Present Value of Net Minimum Lease Payments | \$ 29,675 |

**NOTE 9 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

|                                  | Amount<br>Outstanding<br>6/30/07 | Additions | Deductions | Amount<br>Outstanding<br>6/30/08 | Amount Due in<br>One Year |
|----------------------------------|----------------------------------|-----------|------------|----------------------------------|---------------------------|
| <u>General Obligation Bonds:</u> |                                  |           |            |                                  |                           |
| 2001 Classroom Facilities        |                                  |           |            |                                  |                           |
| Improvement Bonds                | \$ 505,000                       | \$ -      | \$ 20,000  | \$ 485,000                       | \$ 20,000                 |
| Capital Lease                    | 39,536                           | -         | 9,861      | 29,675                           | 10,544                    |
| Total Long-Term Obligations      | \$ 544,536                       | \$ -      | \$ 29,861  | \$ 514,675                       | \$ 30,544                 |

During fiscal year 2001, the School 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 School District for which the full faith and credit of the School District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as expenditure in the Bond Retirement Fund. The source of payment is derived from a voted 3.00 mill bonded debt tax levy reduced to 2.7 mills. Interest rates range from 3.5% to 5.85% throughout the term of the bonds.

These bonds represent the amount of the Construction Project that the School 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.

**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

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**NOTE 9 - LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire the General Obligation Bonds outstanding at June 30, 2008, are as follows:

| Fiscal year<br>Ending June<br>30, | Principal         | Interest          | Total             |
|-----------------------------------|-------------------|-------------------|-------------------|
| 2009                              | \$ 20,000         | \$ 26,318         | \$ 46,318         |
| 2010                              | 20,000            | 25,462            | 45,462            |
| 2011                              | 20,000            | 24,598            | 44,598            |
| 2012                              | 25,000            | 23,612            | 48,612            |
| 2013                              | 25,000            | 22,500            | 47,500            |
| 2014-2018                         | 140,000           | 90,090            | 230,090           |
| 2019-2023                         | 190,000           | 41,828            | 231,828           |
| 2024                              | 45,000            | 1,316             | 46,316            |
| Total                             | <u>\$ 485,000</u> | <u>\$ 255,724</u> | <u>\$ 740,724</u> |

**NOTE 10- JOINTLY GOVERNED ORGANIZATION**

**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 participating 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.

**NOTE 11- INSURANCE PURCHASING POOL AND PUBLIC ENTITY SHARED RISK POOL**

**Ohio School Boards Association Workers' Compensation Group Rating Program**

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 fiscal 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 School 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 School 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.

**NOTE 12- SET-ASIDE CALCULATIONS**

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 fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future years.

**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

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**NOTE 12- SET-ASIDE CALCULATIONS** (continued)

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

|                                               | Textbooks  | Capital<br>Improvement |
|-----------------------------------------------|------------|------------------------|
| Set-aside Reserve Balance as of June 30, 2007 | \$ (1,162) | \$ -                   |
| Current Year Set-aside Requirement            | 31,136     | 31,136                 |
| Qualifying Disbursements                      | (17,603)   | (2,741)                |
| Totals                                        | \$ 12,371  | \$ 28,395              |
| Set-aside Reserve Balance as of June 30, 2008 | \$ 12,371  | \$ 28,395              |

**NOTE 13- 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 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 adverse effect on the overall financial position of the School District at June 30, 2008.

**B. Litigation**

The School District is not party to any legal proceedings.

**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BEGINNING BALANCES**

For the fiscal year 2008, the School District implemented GASB Statement No. 50, “Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27”, GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, and GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.” GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. GASB Statement No. 48 establishes criteria that governments use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings, and disclosure requirements for future revenues that are pledged or sold. The application of these new standards had no effect on the basic financial statements, nor did their implementation require a restatement of prior year balances.

For the fiscal year ended June 30, 2008, the School District has elected to present its financial statements in a format consistent with Governmental Accounting Standards Board Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments,” No. 37, “Basic Financial Statements for State and Local Governments: Omnibus,” and No. 38, “Certain Financial Statement Note Disclosures”, as they apply to the School District’s cash basis of accounting. As a result, the School District opted to reclassify its Food Service from an enterprise fund to a special revenue fund due to the fund’s heavy reliance on government subsidies for operations. This fund reclassification had the following effect on beginning fund balances/net assets:

**Bettsville Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ending June 30, 2008

**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BEGINNING BALANCES**

(continued)

|                                                  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activites</b> | <b>Other<br/>Governmental<br/>Funds</b> |
|--------------------------------------------------|------------------------------------|------------------------------------|-----------------------------------------|
| Fund Balances/Net Assets, June 30, 2007          | \$ 1,241,974                       | \$ 11,037                          | \$ 113,938                              |
| Fund Reclassification                            | 11,037                             | (11,037)                           | 11,037                                  |
| Restated Fund Balances/Net Assets, June 30, 2007 | \$ 1,253,011                       | \$ -                               | \$ 124,975                              |

**NOTE 15 – SCHOOL DISTRICT INCOME TAX (SDIT)**

The School District passed a 1% SDIT for five years with collection beginning January, 1994. The SDIT was renewed in 1999, 2004 and 2007 (collection effective 2009).

**NOTE 16 – INTERFUND ACTIVITY**

The School District made the following transfers during fiscal year 2008:

| Interfund Transfers      | Transfers In | Transfers Out |
|--------------------------|--------------|---------------|
| General Fund             | \$ -         | \$ 17,749     |
| Other Governmental Funds | 17,749       | -             |
| Total Transfers          | \$ 17,749    | \$ 17,749     |

The General Fund transferred unrestricted funds to various other governmental funds to subsidize operations.

The School District made the following advances during fiscal year 2008:

| Interfund Advances       | Advances In | Advances Out |
|--------------------------|-------------|--------------|
| General Fund             | \$ 2,497    | \$ -         |
| Other Governmental Funds | -           | 2,497        |
| Total Transfers          | \$ 2,497    | \$ 2,497     |

The General Fund received repayments on prior year advances from other governmental funds.

**NOTE 17 – 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 accounting principles generally accepted in the United States of America. However, the School District opts to prepare its financial statements in accordance with the cash basis of accounting.

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Ohio Society of Certified Public Accountants

**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***

Members of the Board  
Bettsville Local School District  
Seneca County, Ohio  
118 Washington St.  
Bettsville, Ohio 44815

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bettsville Local School District (the School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated February 18, 2009 wherein we noted that the School District adopted Governmental Accounting Standards Board (GASB) Statements No. 45, No. 48 and No. 50. We also noted that the School District follows the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and revised its financial presentation to be comparable to the requirements of GASB statements No. 34, 37 and 38. We conducted our audit in accordance with auditing standards generally accepted in the United States of America standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Members of the Board

Bettsville Local School District

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*

Page 2

We noted a certain matter that we reported to the School District's management in a separate letter dated February 18, 2009.

**Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We noted a certain matter that we reported to the School District's management in a separate letter dated February 18, 2009.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the School District's management, and Board of Education. We intended it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
February 18, 2009

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2008**

|                                                                                                          |
|----------------------------------------------------------------------------------------------------------|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|----------------------------------------------------------------------------------------------------------|

**FINDING NUMBER 2008-001**

**Noncompliance Citation**

**Ohio Revised Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of 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 § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

***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.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2008**

| Finding Number | Finding Summary                                                                                      | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|------------------------------------------------------------------------------------------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------|
| 2007-001       | Ohio Revised Code section 117.38 and Ohio Administrative Code Section 117-2-03(B)-Not reporting GAAP | No               | Not Corrected. Reissued as finding 2008-001.                                                                                     |
| 2007-002       | Material Weakness: Financial reporting                                                               | Yes              |                                                                                                                                  |





**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**  
**APRIL 14, 2009**