



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • 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, 2010 through June 30, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 15, 2011

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BETTSVILLE LOCAL SCHOOL DISTRICT
Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bettsville Local School District, Seneca County, Ohio, (the School District), as of and for the year ended June 30, 2011, 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 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 generally accepted accounting principles. 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bettsville Local School District, Seneca County, Ohio, as of June 30, 2011, and the respective changes in cash financial position and the 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 September 22, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 17 to the financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



Balestra, Harr & Scherer, CPAs, Inc.
September 22, 2011

Bettsville Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

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, 2011 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 \$203,744.

General cash receipts accounted for \$2,346,565 or 73 percent of total receipts. Program specific cash receipts in the form of charges for services and sales, grants, and contributions accounted for \$865,827 or 27 percent of total cash receipts of \$3,212,392.

The School District had \$3,416,136 in cash disbursements related to governmental activities; only \$865,827 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions. General cash receipts (primarily grants, entitlements, property taxes, and refunding bonds) of \$2,346,565 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, 2011
(Unaudited)

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 2011, 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, 2011
 (Unaudited)

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 2011 compared to 2010.

(Table 1)
 Net Assets

	Governmental Activities	
	2011	2010*
Assets		
Current Assets	\$ 649,149	\$ 852,893
Total Assets	649,149	852,893
Net Assets		
Restricted	682,698	832,542
Unrestricted	(33,549)	20,351
Total Net Assets	\$ 649,149	\$ 852,893

*Certain reclassification were made to 2010 balances to conform with the 2011 presentation.

Cash and cash equivalents decreased \$203,744, due to cash disbursements exceeding cash receipts. The primary reasons for these changes are described after Table 2.

Bettsville Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011 as compared to 2010.

(Table 2)
Changes in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
Cash Receipts		
Program Cash Receipts:		
Charges for Services and Sales	\$ 226,614	\$ 349,959
Operating Grants and Contributions	639,213	577,071
Total Program Cash Receipts	<u>865,827</u>	<u>927,030</u>
General Cash Receipts:		
Property Taxes	429,175	423,378
Income Tax	205,502	198,755
Grants and Entitlements not Restricted to Specific Programs	1,211,139	1,188,020
Refunding Bonds Issued	425,000	0
Premium on Refunding Bonds	39,901	0
Interest	2,233	4,206
Miscellaneous	33,615	65,261
Total General Cash Receipts	<u>2,346,565</u>	<u>1,879,620</u>
Total Cash Receipts	<u>3,212,392</u>	<u>2,806,650</u>
Program Cash Disbursements		
Instruction:		
Regular	1,243,482	1,207,808
Special	511,225	538,827
Support Services:		
Pupils	97,398	97,623
Instructional Staff	43,011	41,475
Board of Education	10,205	11,269
Administration	288,169	283,131
Fiscal	174,580	144,688
Operation and Maintenance of Plant	280,170	258,212
Pupil Transportation	101,922	96,666
Operation of Non-Instructional Services	83,011	93,129
Extracurricular Activities	76,012	85,967
Debt Service:		
Principal	26,090	25,639
Interest and Fiscal Charges	15,960	28,000
Issuance Costs	28,110	-
Payments to Refunding Escrow Agent	436,791	-
Total Cash Disbursements	<u>3,416,136</u>	<u>2,912,434</u>
Change in Net Assets	(203,744)	(105,784)
Net Assets, Beginning of the Year	852,893	958,677
Net Assets, End of the Year	<u>\$ 649,149</u>	<u>\$ 852,893</u>

Bettsville Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Governmental Activities

Grants and entitlements not restricted to specific programs made up 38 percent of cash receipts for governmental activities of the School District for fiscal year 2011. Property tax receipts made up 13 percent of the total cash receipts for governmental activities for a total of 51 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs. Operating grants and contributions made up 20 percent of cash receipts for governmental activities. Increases to operating grants and contributions are due to increased monies received in the Special Ed Part B-IDEA, Title II-A and Title II-D programs. Decreases to charges for services and sales are due to a decrease in food service receipts and tuition and fees as a direct result of a decline in enrollment. There was also an increase in monies received for refunding bonds issued and premiums on refunding as a result of the School District refunding their classroom facilities debt.

Regular instruction comprises 36 percent of governmental program cash disbursements. Special instruction comprises 15 percent of governmental cash disbursements. Disbursement increased overall due to payments to refunding escrow agent and issuance costs as a result of the School District refunding their classroom facilities debt.

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 of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction	\$ 1,754,707	\$ 1,212,970	\$ 1,746,635	\$ 1,219,014
Support Services	995,455	774,736	933,064	656,996
Operation of Non-Instructional Services	83,011	3,758	93,129	8,164
Extracurricular Activities	76,012	53,133	85,967	52,736
Principal	26,090	25,596	25,639	22,864
Interest and Fiscal Charges	15,960	15,215	28,000	25,630
Issuance Costs	28,110	28,110	-	-
Payment to Refunding Escrow Agent	436,791	436,791	-	-
Total Cash Disbursements	\$ 3,416,136	\$ 2,550,309	\$ 2,912,434	\$ 1,985,404

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 \$3,455,129 and cash disbursements and other financing disbursements of \$3,658,873. The most significant change in fund balance was in the Permanent Improvement Fund where the fund balance decreased by \$200,004.

For the General Fund, fund balance decreased \$45,054. A primary reason for this decrease was that tuition and fees decreased \$125,332. This decrease was offset by a transfer in received from the permanent improvement fund.

For the Bond Retirement Fund, the fund balance increased \$20,787, due mainly to the refunding of debt.

For the Permanent Improvement Fund, cash disbursements exceeded cash receipts resulting in a decrease in fund balance in the amount of \$200,004. This decrease is due to the transfer to the General Fund in the amount of \$200,000.

Bettsville Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

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 2011, the School District revised its budget as it attempted to deal with unexpected changes in 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 2011, the School District filed a certificate of estimated receipts. The School District made one amendment to the certificate of estimated resources at the end of the year. For the General Fund, original estimated receipts were \$2,253,596 and final estimated receipts were \$2,198,835. Actual receipts were \$2,209,971, \$11,136 above the final estimated receipts.

At the end of fiscal year 2011, the School District filed an amended appropriations resolution. This resulted in the General Fund's final appropriations increasing \$190,000 from the original appropriations. Actual disbursements were \$2,350,537, \$41,482 less than final estimated disbursements, which was due mainly to greater than expected administration expenses.

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 2011.

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, 2011, the School District had \$444,988 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

	2011	2010
2001 Classroom Facilities Improvement Bonds	\$ -	\$ 445,000
2011 Refunding Bonds:		
Current Interest Bonds	410,000	0
Capital Appreciation Bonds	15,000	0
Capital Leases	19,988	26,078
Totals	\$ 444,988	\$ 471,078

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.

Bettsville Local School District
Statement of Net Assets - Cash Basis
June 30, 2011

	<u>Governmental Activities</u>
ASSETS:	
Equity in pooled cash and cash equivalents	<u>\$ 649,149</u>
<i>Total Assets</i>	<u>649,149</u>
NET ASSETS:	
Restricted for debt service	167,696
Restricted for capital outlay	348,863
Restricted for other purposes	81,665
Restricted for set-asides	84,474
Unrestricted	<u>(33,549)</u>
<i>Total Net Assets</i>	<u><u>\$ 649,149</u></u>

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, 2011

	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipt and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 1,243,482	\$ 102,921	\$ 67,764	\$ (1,072,797)
Special	511,225	32,880	338,172	(140,173)
Support Services:				
Pupils	97,398	8,151	2,427	(86,820)
Instructional staff	43,011	3,633	10	(39,368)
Board of education	10,205	862	-	(9,343)
Administration	288,169	23,533	25,904	(238,732)
Fiscal	174,580	14,193	14,857	(145,530)
Operation and maintenance of plant	280,170	21,174	79,160	(179,836)
Pupil transportation	101,922	8,024	18,791	(75,107)
Operation of non-instructional services	83,011	4,689	74,564	(3,758)
Extracurricular activities	76,012	5,891	16,988	(53,133)
Debt service:				
Principal	26,090	494	-	(25,596)
Interest and fiscal charges	15,960	169	576	(15,215)
Issuance costs	28,110	-	-	(28,110)
Issuance costs	436,791	-	-	(436,791)
<i>Total Governmental Activities</i>	<u>\$ 3,416,136</u>	<u>\$ 226,614</u>	<u>\$ 639,213</u>	(2,550,309)
General Cash Receipts:				
Property taxes levied for:				
General purposes				375,850
Other purposes				7,741
Debt service				45,584
Income tax				205,502
Grants and entitlements, not restricted to specific programs				1,211,139
Refunding bonds issued				425,000
Premium on refunding bonds				39,901
Interest				2,233
Miscellaneous				33,615
<i>Total General Cash Receipts</i>				<u>2,346,565</u>
<i>Change in Net Assets</i>				(203,744)
<i>Net Assets Beginning of Year</i>				<u>852,893</u>
<i>Net Assets End of Year</i>				<u>\$ 649,149</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, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Equity in pooled cash and cash equivalents	\$ -	\$ 167,696	\$ 348,863	\$ 81,665	\$ 598,224
Restricted Assets:					
Equity in pooled cash and cash equivalents	<u>50,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,925</u>
<i>Total Assets</i>	<u>\$ 50,925</u>	<u>\$ 167,696</u>	<u>\$ 348,863</u>	<u>\$ 81,665</u>	<u>\$ 649,149</u>
FUND BALANCES:					
Restricted	\$ 84,474	\$ 167,696	\$ 348,863	\$ 80,192	\$ 681,225
Committed	-	-	-	1,473	1,473
Unassigned	<u>(33,549)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,549)</u>
<i>Total Fund Balances</i>	<u>\$ 50,925</u>	<u>\$ 167,696</u>	<u>\$ 348,863</u>	<u>\$ 81,665</u>	<u>\$ 649,149</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, 2011

	General	Bond Retirement	Permanent Improvement	All Other Governmental Funds	Total Governmental Funds
CASH RECEIPTS:					
Property taxes	\$ 375,850	\$ 45,584	\$ -	\$ 7,741	\$ 429,175
Income tax	205,502	-	-	-	205,502
Intergovernmental	1,206,966	10,141	-	631,212	1,848,319
Interest	1,928	-	298	7	2,233
Tuition and fees	166,860	-	-	-	166,860
Rent	20,000	-	-	-	20,000
Extracurricular activities	-	-	-	14,382	14,382
Gifts and donations	-	-	-	2,033	2,033
Customer sales and services	-	-	-	25,372	25,372
Miscellaneous	32,865	-	-	750	33,615
<i>Total Cash Receipts</i>	<u>2,009,971</u>	<u>55,725</u>	<u>298</u>	<u>681,497</u>	<u>2,747,491</u>
CASH DISBURSEMENTS:					
Current:					
Instruction:					
Regular	1,168,041	-	-	75,441	1,243,482
Special	142,992	-	-	368,233	511,225
Support Services:					
Pupils	94,696	-	-	2,702	97,398
Instructional staff	43,000	-	-	11	43,011
Board of education	10,205	-	-	-	10,205
Administration	259,330	-	-	28,839	288,169
Fiscal	156,976	1,064	-	16,540	174,580
Operation and maintenance of plant	191,740	-	302	88,128	280,170
Pupil transportation	81,002	-	-	20,920	101,922
Operation of non-instructional services	-	-	-	83,011	83,011
Extracurricular activities	57,099	-	-	18,913	76,012
Debt service:					
Principal	5,368	20,000	-	722	26,090
Interest and fiscal charges	1,839	13,874	-	247	15,960
Issuance costs	-	28,110	-	-	28,110
<i>Total Cash Disbursements</i>	<u>2,212,288</u>	<u>63,048</u>	<u>302</u>	<u>703,707</u>	<u>2,979,345</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(202,317)</u>	<u>(7,323)</u>	<u>(4)</u>	<u>(22,210)</u>	<u>(231,854)</u>
OTHER FINANCING RECEIPTS AND DISBURSEMENTS:					
Transfers in	200,000	-	-	24,356	224,356
Refunding bonds issued	-	425,000	-	-	425,000
Premium on refunding bonds	-	39,901	-	-	39,901
Advances in	-	-	-	18,381	18,381
Payment to Refunding Escrow Agent	-	(436,791)	-	-	(436,791)
Transfers out	(24,356)	-	(200,000)	-	(224,356)
Advances out	(18,381)	-	-	-	(18,381)
<i>Total Other Financing Receipts and Disbursements</i>	<u>157,263</u>	<u>28,110</u>	<u>(200,000)</u>	<u>42,737</u>	<u>28,110</u>
<i>Net Change in Fund Balances</i>	<u>(45,054)</u>	<u>20,787</u>	<u>(200,004)</u>	<u>20,527</u>	<u>(203,744)</u>
<i>Fund Balances at Beginning of Year</i>	<u>95,979</u>	<u>146,909</u>	<u>548,867</u>	<u>61,138</u>	<u>852,893</u>
<i>Fund Balances at End of Year</i>	<u>\$ 50,925</u>	<u>\$ 167,696</u>	<u>\$ 348,863</u>	<u>\$ 81,665</u>	<u>\$ 649,149</u>

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

Bettsville Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Total receipts and other financing receipts	\$ 2,253,596	\$ 2,198,835	\$ 2,209,971	\$ 11,136
Total disbursements and other financing disbursements	<u>2,201,335</u>	<u>2,392,019</u>	<u>2,350,537</u>	<u>41,482</u>
Net Change in Fund Balance	52,261	(193,184)	(140,566)	52,618
Fund Balance at Beginning of Year	69,644	69,644	69,644	-
Prior Year Encumbrances Appropriated	<u>26,335</u>	<u>26,335</u>	<u>26,335</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 148,240</u>	<u>\$ (97,205)</u>	<u>\$ (44,587)</u>	<u>\$ 52,618</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, 2011

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 16,413</u>
<i>Total Assets</i>	<u><u>\$ 16,413</u></u>
NET ASSETS:	
Unrestricted	<u>\$ 16,413</u>
<i>Total Net Assets</i>	<u><u>\$ 16,413</u></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 Ended June 30, 2011

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 8 non-certified and 21 certified employees to provide services to 165 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 Ended June 30, 2011

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 not required to be accounted for and reported 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 financial resources restricted, committed or assigned for, 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 assets other than those financed by proprietary and trust funds.

Bettsville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 Ended June 30, 2011

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.

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.

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 2011 amounted to \$1,928, \$298 and \$7, 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.

Premiums and issuance costs are reported on the cash basis and are not reported as liabilities or assets on the accompanying financial statements.

Bettsville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Cash and cash equivalents were restricted to the extent of the cash balance held by the District at year end. See Note 12 for more information regarding set-asides.

J. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Bettsville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$682,698 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, 2011 amounted to \$95,512 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.

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;

Bettsville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or 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;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
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 (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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 Ended June 30, 2011

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, 2011, the School District’s bank balance of \$631,716 was either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

Investments: As of June 30, 2011, the School District had the following investments:

	<u>Amount</u>	<u>Weighted Average Maturity</u>
Repurchase Agreement	<u>\$ 100,000</u>	< 1 year

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District’s investment policy does not address credit risk beyond the requirements of state law. The School District limits their investments to repurchase agreements.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The School District’s investment policy allows investments in STAR Ohio, repurchase agreements, certificates of deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The School District’s investment policy does not address concentration of credit risk beyond the requirements of the Ohio Revised Code. The School District has invested 100 percent in repurchase agreements.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s investment policy does not address custodial credit risk beyond the requirements of state law. All of the School District’s securities are either insured and registered in the name of the School District or at least registered in the name of the School District, other than the School District’s repurchase agreement which is exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty’s trust department or agent, but not in the School District’s name.

Bettsville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected in 2011 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 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. 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.

The Seneca County Treasurer collects property taxes on behalf of all taxing districts within the County. The Seneca County Auditor periodically remits to the taxing districts their portion of the taxes collected.

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$19,686,070	95.08%	\$19,825,470	94.91%
Public Utility	1,018,450	4.92%	1,062,250	5.09%
Total Assessed Value	\$20,704,520	100.00%	\$20,887,720	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$37.50		 \$35.00	

Bettsville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011, the School District contracted with Ohio School Plan for coverage for liability, real property, building and 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 automobile physical damage catastrophic coverage (\$1,000 deductible)	\$8,768,011
Automobile liability (zero deductible)	1,000,000
Uninsured Motorists (zero deductible)	1,000,000
General Liability:	
Per occurrence	2,000,000
Annual Aggregate	4,000,000

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.

For fiscal year 2011, 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.

Bettsville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 on SERS' website, at www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent 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, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$50,232, \$56,776, and \$39,470, respectively, which equaled the required annual contribution for each year.

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.

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.

Bettsville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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.

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 years ended June 30, 2011, 2010, and 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$138,780, \$135,270, and \$138,701, 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.

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, 2011, there are no employees that have elected Social Security.

Bettsville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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 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 employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010, and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$9,913, \$9,662, and \$9,907 for fiscal years 2011, 2010, and 2009, respectively; which is equal to the required amounts for those years.

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.

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 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. 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 2011, 2010, and 2009, the actuarially required allocations were 0.76 percent, 0.76 percent, and 0.75 percent, respectively. For the District, contributions for the years ended June 30, 2011, 2010, and 2009, were \$2,727, \$3,082, and \$2,114, 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.

Bettsville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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, 2011, 2010, and 2009, the health care allocations were 1.43 percent, 0.46 percent, and 4.16 percent, 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 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2011, 2010, and 2009 fiscal years equaled \$11,288, \$8,084, and \$18,315, respectively; which is equal to the required amounts for those years.

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 under *Employer/Audit Resources*.

NOTE 8 – CAPITAL LEASES - LESSEE DISCLOSURE

In 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 Fund and Migrant Nonmajor Special Revenue Fund. Principal payments in the fiscal year 2011 totaled \$6,090.

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, 2011:

Fiscal Year Ending June 30,	
2012	\$ 8,176
2013	8,176
2014	6,814
Total	23,166
Less: Amount Representing Interest	(3,178)
Present Value of Net Minimum Lease Payments	\$ 19,988

Bettsville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Amount Outstanding 6/30/10	Additions	Deductions	Amount Outstanding 6/30/11	Amount Due in One Year
<u>General Obligation Bonds:</u>					
2001 Classroom Facilities Improvement Bonds	\$ 445,000	\$ -	\$ 445,000	\$ -	\$ -
2011 Refunding Bonds					
Current Interest Bonds	-	410,000	-	410,000	35,000
Capital Appreciation Bonds	-	15,000	-	15,000	-
Capital Lease	26,078	-	6,090	19,988	6,577
Total Long-Term Obligations	<u>\$ 471,078</u>	<u>\$ 425,000</u>	<u>\$ 451,090</u>	<u>\$ 444,988</u>	<u>\$ 41,577</u>

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. The bonds were refunded during fiscal year 2011.

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.

During fiscal year 2011, the School District issued \$425,000 in refunding bonds for the purpose of repaying the classroom facilities improvement bonds issued in 2001. The refunding bonds consisted of \$410,000 in current interest bonds and \$15,000 in capital appreciation bonds. The interest bonds were issued for a thirteen year period with a final maturity in December 2024. The capital appreciation bonds will mature in 2019 and 2020.

The capital appreciation bonds, issued at \$15,000, are not subject to prior redemption. The maturity amount of the capital appreciation bonds is \$54,901. For fiscal year 2011, the capital appreciation bonds were accreted \$527.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2011, are as follows:

Fiscal year Ending June 30,	2011 Current Interest		2011 Capital Appreciation Bonds
	Principal	Interest	
2012	\$ 35,000	\$ 9,556	\$ -
2013	35,000	11,718	-
2014	35,000	11,105	-
2015	35,000	10,493	-
2016	35,000	9,880	-
2017-2021	110,000	23,026	54,901
2022-2025	125,000	10,837	-
Total	<u>\$ 410,000</u>	<u>\$ 86,615</u>	<u>\$ 54,901</u>

The School District's overall legal debt margin was \$1,454,895 with an unvoted debt margin of \$20,888 at June 30, 2011.

Bettsville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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.

	<u>Textbooks</u>	<u>Capital Improvement</u>
Set-aside Reserve Balance as of June 30, 2010	\$ 53,573	\$ 22,055
Current Year Set-aside Requirement	26,310	26,310
Qualifying Disbursements	<u>(12,974)</u>	<u>(30,800)</u>
Totals	<u>\$ 66,909</u>	<u>\$ 17,565</u>
Set-aside Reserve Balance as of June 30, 2011	<u>\$ 66,909</u>	<u>\$ 17,565</u>

Bettsville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011.

B. Litigation

The School District is not party to any legal proceedings.

NOTE 14 – 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 15 – INTERFUND ACTIVITY

The School District made the following transfers during fiscal year 2011:

<u>Interfund Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 200,000	\$ 24,356
Permanent Improvement Fund	-	200,000
Other Governmental Funds	24,356	-
Total Transfers	\$ 224,356	\$ 224,356

The General Fund transferred unrestricted funds to various other governmental funds to subsidize operations. The transfer from the Permanent Improvement Fund to the General Fund was approved by the Common Pleas Court of the unexpended balance of the construction monies.

The School District made the following advances during fiscal year 2011:

<u>Interfund Advances</u>	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$ -	\$ 18,381
Other Governmental Funds	18,381	-
Total Advances	\$ 18,381	\$ 18,381

Other Governmental Funds received advances from the General Fund in anticipation of intergovernmental revenues.

NOTE 16 – COMPLIANCE

Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(B) require the School District to prepare its financial statements in accordance with 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.

Contrary to Ohio Revised Code 5705.39, the School District's General Fund had appropriations in excess of estimated resources plus the unencumbered fund balance for the final estimate of \$97,205, at June 30, 2011.

Bettsville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 16 – COMPLIANCE (continued)

Contrary to Ohio Revised Code Section 5705.41(B), the School District had actual expenditures plus outstanding encumbrances in excess of appropriations in the Permanent Improvement Fund and the State Fiscal Stabilization Fund at fiscal yearend.

Contrary to Ohio Revised Code Section 5705.36(A)(4), the School District had appropriations in excess of actual resources plus the unencumbered fund balance in the General Fund at fiscal yearend.

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds; however, it did not result in any restatement of the School District’s financial statements.

NOTE 18 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for					
Food Service Operations	0	0	0	6,975	6,975
Other Purposes	0	0	0	11,903	11,903
Classroom Maintenance	0	0	0	13,623	13,623
Athletics	0	0	0	5,718	5,718
Migrant	0	0	0	31,749	31,749
Stabilization Funding	0	0	0	10,224	10,224
Textbooks	66,909	0	0		66,909
Capital Maintenance	17,565	0	0	0	17,565
Debt Services Payments	0	167,696	0	0	167,696
Capital Improvements	0	0	348,863	0	348,863
Total Restricted	<u>84,474</u>	<u>167,696</u>	<u>348,863</u>	<u>80,192</u>	<u>681,225</u>
Committed to					
Other Purposes	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,473</u>	<u>1,473</u>
Unassigned (Deficit)					
	<u>(33,549)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(33,549)</u>
Total Fund Balances	<u>\$50,925</u>	<u>\$167,696</u>	<u>\$348,863</u>	<u>\$81,665</u>	<u>\$649,149</u>

Bettsville Local School District
Seneca County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 4,869	\$ -	\$ 4,869	\$ -
National School Lunch Program	3L60	10.555	40,338	6,695	40,338	6,695
Summer Food Service Program for Children	3L60	10.559	16,776	-	16,776	-
Total Nutrition Cluster			61,983	6,695	61,983	6,695
Total United States Department of Agriculture			61,983	6,695	61,983	6,695
United States Department of Education						
<i>Passed through Ohio Department of Education:</i>						
<i>Title I, Part A Cluster</i>						
Title I Grants to Local Education Agencies	3M00	84.010	34,421	-	53,598	-
Title I Grants to Local Education Agencies ARRA	3DK0	84.389	15,445	-	15,665	-
Total Title I, Part A Cluster			49,866	-	69,263	-
<i>Special Education Cluster (IDEA)</i>						
Special Education Grants to States	3M20	84.027	63,641	-	63,641	-
Special Education Grants to States ARRA	3DJ0	84.391	54,052	-	55,828	-
Total Special Education Cluster (IDEA)			117,693	-	119,469	-
<i>Education Technology State Grants Cluster</i>						
Education Technology State Grants	3S20	84.318	145	-	145	-
Total Education Technology State Grants Cluster			145	-	145	-
<i>State Fiscal Stabilization Fund Cluster</i>						
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	GRF	84.394	83,004	-	77,208	-
Total State Fiscal Stabilization Fund Cluster			83,004	-	77,208	-
<i>Migrant Education State Grant Program</i>						
Migrant Education State Grant Program	3EH0	84.011	227,373	-	232,724	-
<i>State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA</i>						
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	20,963	-	20,963	-
<i>Rural Education</i>						
Rural Education	N/A	84.358	32,108	-	32,108	-
<i>Improving Teacher Quality - State Grants</i>						
Improving Teacher Quality - State Grants	3Y60	84.367	23,129	-	22,283	-
Total Passed Through Ohio Department of Education			554,281	-	574,163	-
Total United States Department of Education			554,281	-	574,163	-
Total Federal Financial Assistance			\$ 616,264	\$ 6,695	\$ 636,146	\$ 6,695

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

Bettsville Local School District
Seneca County

**Notes to the Schedule of Federal Awards Receipts and Expenditures
for the Fiscal Year Ended June 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bettsville Local School District, Seneca County, (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 22, 2011, wherein we noted the School District implemented GASB Statement No.54. 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' *Governmental 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

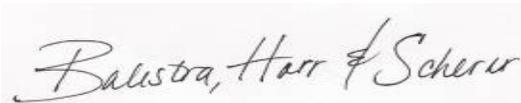
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-005 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-004.

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

We intend this report solely for the information and use of the management, members of the Board of Education, federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
September 22, 2011



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Compliance

We have audited the compliance of Bettsville Local School District, Seneca County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Bettsville Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, Bettsville Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

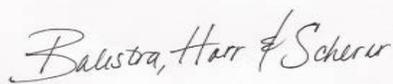
The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Members of the Board of Education
Bettsville Local School District
Report on Compliance with Requirements Applicable to each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133
Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
September 22, 2011

**Bettsville Local School District
Seneca County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Migrant Education State Grant Program; CFDA# 84.011 Special Education Cluster: Special Education Grants to States; CFDA# 84.027 Special Education Grants to States – ARRA; CFDA# 84.391 State Fiscal Stabilization Fund-ARRA; CFDA# 84.394
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Bettsville Local School District
Seneca County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

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

FINDING NUMBER 2011-001

Material 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.

FINDING NUMBER 2011-002

Material Noncompliance Citation

Ohio Rev. Code section 5705.41(B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

The School District had actual expenditures plus outstanding encumbrances in excess of appropriations in the Permanent Improvement Fund and the State Fiscal Stabilization Fund at fiscal year end.

The School District should monitor their actual expenditures in comparison to their appropriations and make the necessary amendments.

**Bettsville Local School District
Seneca County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

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

FINDING NUMBER 2011-002 (continued)

Client Response:

Appropriation changes and adjustments will be done throughout the year in an organized manner with the Board of Education's approval.

FINDING NUMBER 2011-003

Material Noncompliance Citation

Ohio Rev. Code section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The School District had appropriations in excess of actual resources plus the unencumbered fund balance in the General Fund at fiscal year end.

The School District should monitor their actual resources in comparison to their appropriations and make the necessary amendments.

Client Response:

Estimated resource changes and adjustments will be done throughout the year in an organized manner with the Board of Education's approval.

FINDING NUMBER 2011-004

Material Noncompliance Citation

Ohio Rev. Code section 5705.39 provides in part that the total appropriations from each fund shall not exceed the total estimated resources.

The School District had appropriations in excess of estimated resources in the General Fund at fiscal year end.

The School District should monitor their estimated resources in comparison to their appropriations and make the necessary amendments.

Client Response:

Estimated resource changes and adjustments will be done throughout the year in an organized manner with the Board of Education's approval.

**Bettsville Local School District
Seneca County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

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

FINDING NUMBER 2011-005

Significant Deficiency

During testing of the budgetary compliance, it was noted that the District had several instances of non-compliance with the budgetary laws and regulations. We must conclude from this information that there is a lack of controls over budgetary monitoring.

We recommend that the Treasurer obtain training and guidance on budgetary requirements to ensure compliance with laws and regulations regarding appropriating and estimating funding for the District.

Client Response:

Treasurer will be sent to trainings for budgetary compliance.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

**Bettsville Local School District
Seneca County, Ohio**

**Schedule of Prior Audit Findings
June 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2010-001	Ohio Revised Code section 117.38 and Ohio Administrative Code Section 117-2-03(B)-Not reporting GAAP	No	Not Corrected. Reissued as finding 2011-001.
2010-002	Ohio Rev. Code section 5705.41(B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated	No	Not Corrected. Reissued as finding 2011-002



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Independent Auditor's Report on Applying Agreed Upon Procedures

Members of the Board of Education
Bettsville Local School District
Seneca County
118 Washington Street
Bettsville, Ohio 44815

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Bettsville Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on January 13, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Balestra, Harr & Scherer, CPAs, Inc.

September 22, 2011



Dave Yost • 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
NOVEMBER 29, 2011**