



Dave Yost • Auditor of State

**Bettsville Local School District
Seneca County**

**Financial Forecast
For the Fiscal Year Ending June 30, 2014**

Local Government Services Section

Bettsville Local School District
Seneca County

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Dave Yost • Auditor of State

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

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Bettsville Local School District, Seneca County, Ohio, and issued a report dated January 8, 2014. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2014, of \$775,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2015 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board of Education's intent not to appropriate any such advances for fiscal year 2014.

DAVE YOST
Auditor of State

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Unice S. Smith
Chief of Local Government Services

February 4, 2014

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Dave Yost • Auditor of State

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Bettsville Local School District for the fiscal year ending June 30, 2014. The Bettsville Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The statement of revenues, expenditures, and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2011, 2012, and 2013 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements for Accounting and Review services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information, in the form of financial statements, without undertaking to obtain or provide any assurance that no material modifications should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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

DAVE YOST
Auditor of State

January 8, 2014

Bettsville Local School District
Seneca County
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2011 through 2013 Actual;
For the Fiscal Year Ending June 30, 2014 Forecasted
General Fund

	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Actual	Fiscal Year 2014 Forecasted
<u>Revenues:</u>				
General Property Taxes	\$375,000	\$391,000	\$404,000	\$404,000
Tangible Personal Property Taxes	1,000	2,000	0	0
Income Taxes	206,000	234,000	202,000	205,000
Unrestricted Grants-in-Aid	1,013,000	1,456,000	1,144,000	1,104,000
Restricted Grants-in-Aid	1,000	1,000	1,000	27,000
Restricted Federal Grants-in-Aid - SFSF and Education Jobs	87,000	57,000	0	0
Property Tax Allocation	194,000	146,000	108,000	109,000
All Other Revenues	234,000	216,000	313,000	409,000
Total Revenues	<u>2,111,000</u>	<u>2,503,000</u>	<u>2,172,000</u>	<u>2,258,000</u>
<u>Other Financing Sources:</u>				
Other Financing Sources	0	0	0	37,000
Transfers In	238,000	317,000	0	0
Total Other Financing Sources	<u>238,000</u>	<u>317,000</u>	<u>0</u>	<u>37,000</u>
Total Revenues and Other Financing Sources	<u>2,349,000</u>	<u>2,820,000</u>	<u>2,172,000</u>	<u>2,295,000</u>
<u>Expenditures:</u>				
Personal Services	1,121,000	1,199,000	1,060,000	1,209,000
Employees' Retirement/Insurance Benefits	440,000	439,000	398,000	473,000
Purchased Services	645,000	781,000	861,000	912,000
Supplies and Materials	41,000	43,000	40,000	47,000
Capital Outlay	0	66,000	1,000	1,000
Other Objects	55,000	41,000	413,000	50,000
Total Expenditures	<u>2,302,000</u>	<u>2,569,000</u>	<u>2,773,000</u>	<u>2,692,000</u>
<u>Other Financing Uses:</u>				
Transfers Out	81,000	90,000	0	0
Total Expenditures and Other Financing Uses	<u>2,383,000</u>	<u>2,659,000</u>	<u>2,773,000</u>	<u>2,692,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(34,000)	161,000	(601,000)	(397,000)
Cash Balance July 1	96,000	62,000	223,000	(378,000)
Cash Balance (Deficit) June 30	62,000	223,000	(378,000)	(775,000)
<u>Encumbrances:</u>				
Actual/Estimated Encumbrances June 30	96,000	13,000	0	0
<u>Reserves of Fund Balance:</u>				
Textbooks and Instructional Materials	5,000	5,000	0	0
Capital Improvements	18,000	13,000	4,000	0
Total Encumbrances and Reserves of Fund Balance	<u>119,000</u>	<u>31,000</u>	<u>4,000</u>	<u>0</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>(\$57,000)</u>	<u>\$192,000</u>	<u>(\$382,000)</u>	<u>(\$775,000)</u>

See Accompanying Summary of Significant Forecast Assumptions and Accounting Policies
See Independent Accountant's Report

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Note 1 - The School District

The Bettsville Local School District (the School District) is located in Seneca County and encompasses the Village of Bettsville. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. 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 is staffed by 10 classified and 20.1 certified personnel to provide services to approximately 148 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Bettsville Local School District Board of Education's knowledge and belief, the expected revenues, expenditures, and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of January 8, 2014, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected and those differences may be material.

Note 3 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require general fund resources pledged for the repayment of debt to be recorded directly in a debt service fund. For presentation in the forecast, the School District's state fiscal stabilization fund and the education jobs grant fund are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenues and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligations are incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Fund Accounting

The School District maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The general fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes, other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e., debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent Funds - Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government’s programs - that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other organizations.

Proprietary Funds

Enterprise Funds - Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Fiduciary Funds

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

Budgetary Process

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

Budget - A budget of estimated cash receipts and disbursements is submitted to the Seneca County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 - General Operating Assumptions

The Bettsville Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, and manufactured homes which are located within the School District. Tangible personal property used in businesses was taxed in calendar years prior to 2011. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Seneca County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2014 (the collection year) for real and public utility property taxes represents collection of 2013 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "Property Tax Allocation".

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2015 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board of Education's intent not to appropriate any such advances for fiscal year 2014.

The property tax revenues for the general fund are generated from several levies. The levies being collected for the general fund, the year approved, and the full tax rate are as follows:

Tax Levies	Year Approved	Full Tax Rate (per \$1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	\$4.60
Continuing Operating	1976	22.40
Continuing Operating	1980	5.00
		\$32.00

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$19.13 per \$1,000 of assessed valuation for collection year 2014, and the effective commercial and industrial real property tax rate is \$22.27 per \$1,000 of assessed valuation for collection year 2014.

Public utility personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Tangible personal property used in businesses was taxed in calendar years prior to 2011. No tangible personal property taxes have been levied or collected after calendar year 2010. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Seneca County Auditor. The School District anticipates these to be in line with the prior fiscal year due to a consistency in collections.

Income Tax

On November 6, 2007, the voters approved a five year, 1 percent renewal income tax that became effective on January 1, 2009. The tax is levied on the income of residents of the Bettsville Local School District. The last year the tax was levied was 2013. On May 7, 2013, the voters approved a five year, 1 percent income tax that will become effective on January 1, 2014, which was initially estimated to generate a minimum of \$200,000 annually. The tax is levied on earned income of residents of the Bettsville Local School District. The forecasted amount of \$205,000 for fiscal year 2014 is based on actual payments already received, the Ohio Department of Taxation's timeline for receiving income tax payments, and the estimated percentages for collections per quarter.

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Unrestricted Grants-in-Aid

In fiscal year 2011, Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administration, operations and maintenance, gifted and enrichment, professional development, and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a school district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal year 2011, 21 mills for fiscal years 2012 and 2013, and 20 mills for fiscal year 2014 and thereafter.

The State Department of Education, Division of School Finance calculated the annual funding, including the adequacy amount, and distributed a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount were phased in over a five-year period. In addition, school districts were guaranteed 98 percent for fiscal year 2011 of the total amount received from the 2009 fiscal year's State Foundation aid.

In fiscal year 2011, approximately eight percent of the adequacy funding was provided from a State Fiscal Stabilization Grant received by the State of Ohio under the American Recovery and Reinvestment Act (Restricted Federal Grants-in-Aid) for the Bettsville Local School District.

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed to move away from the Ohio Evidence-Based Model to a new funding method. However, since a new funding mechanism was not formulated, the Administration decided to fund school districts in fiscal years 2012 and 2013 based on a transitional approach until a new formula was devised. This transitional approach was referred to as the Bridge Formula. The Bridge Formula divided the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding was then multiplied by the fiscal year 2012 and fiscal year 2013 ADM. The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills of property taxes for fiscal year 2012. In addition to this adjustment, each school district's fiscal year 2013 funding was further adjusted so that the school district received at least the total funding it received in fiscal year 2012 after subtracting the state fiscal stabilization funds from total funding as well as to provide financial incentives for high performing school districts.

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount multiplied by the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continues to use the current fiscal year count taken during the first full week of October. This amount is then multiplied by the State Share Index, which factors in the property wealth and the income of residents of the School District. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts are guaranteed to the amount received for fiscal year 2013 (including transportation aid and funding for career technical education) and no school district will receive an increase greater than 6.25 percent for fiscal year 2014. Based on the most current foundation settlement, the Bettsville Local School District estimates \$1,097,000 in foundation funding.

Beginning in fiscal year 2013, the School District began receiving additional unrestricted grants-in-aid revenue due to casino revenue. The first three casinos opened in Ohio in calendar year 2012 and one more casino opened in 2013. Of the casino revenue collected by the State, 34 percent is distributed to school districts based on student population. The School District anticipates casino revenue is \$7,000, for a total unrestricted grants-in-aid amount of \$1,104,000.

Restricted Grants-in-Aid

In past fiscal years, restricted grants-in-aid consisted of career technologies monies. Starting in fiscal year 2014, the School District is receiving economic disadvantaged funding as part of the new SFPR funding. For fiscal year 2014, the School District anticipates \$1,000 in restricted grants-in-aid monies for career technologies and \$26,000 for economic disadvantaged funding.

Restricted Federal Grants-in-Aid

In fiscal year 2011, restricted federal grants-in-aid consisted of State Fiscal Stabilization Funds. In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education was distributed to school districts as part of the foundation settlement payments twice a month. These funds had limited restrictions on their use. Bettsville Local School District received \$87,000 for fiscal year 2011, which was used to pay teacher salaries. SFSF was not reauthorized by the Federal government.

In 2010, Congress passed, and the President signed, legislation that provided \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs Grant was to be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees in order to provide early childhood, elementary, or secondary educational and related services. These funds had limited restrictions on their use. The Bettsville Local School District received \$57,000 for fiscal year 2012. The School District chose to use these funds in fiscal year 2012 for salaries and benefits for teachers. There are no restricted Federal grants-in-aid monies forecasted for fiscal year 2014.

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District was fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. Beginning in fiscal year 2013, the reimbursements are gradually phased out. The reimbursement is for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phaseouts in House Bill 66 are implemented. For fiscal year 2014, the School District anticipates receiving \$53,000 of reimbursement for the tangible personal property tax phase out. This is consistent with the amount received in fiscal year 2013.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecasted Fiscal Year 2014	Variance Increase
Homestead and Rollback	\$54,000	\$55,000	\$55,000	\$56,000	\$1,000
Tangible Personal Property Loss Reimbursement	140,000	91,000	53,000	53,000	0
Totals	\$194,000	\$146,000	\$108,000	\$109,000	\$1,000

All Other Revenues

All other revenues include tuition, interest, rentals, shared services, and other revenue.

Open enrollment tuition revenue is expected to increase due to the School District having six more students open enrolled to the School District during fiscal year 2014.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest revenue is not expected to be material due to the School District's financial condition and low cash balances. Nothing is being forecasted for fiscal year 2014.

The School District rents some of its classrooms to the North Central Ohio Educational Service Center (ESC) and continues to do so for fiscal year 2014. However, the ESC is currently only using one classroom so rental income will decrease.

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

The School District has a shared service contract with Old Fort Local School District. The elementary principal is paid by the Bettsville Local School District and then reimbursed by the Old Fort Local School District. They will begin receiving this money in fiscal year 2014.

Other revenues are expected to be more than fiscal year 2013 due to the School District receiving payments from former employees who are still using the School District's insurance. There was also a one-time payment received from a leasing company related to the School District's copier lease agreement.

All other revenues consist of the following:

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecasted Fiscal Year 2014	Variance Increase (Decrease)
Open Enrollment Tuition	\$148,000	\$137,000	\$211,000	\$246,000	\$35,000
Other Tuition	19,000	0	0	0	0
Interest	2,000	1,000	0	0	0
Rentals	20,000	20,000	13,000	8,000	(5,000)
Student Class Fees	4,000	4,000	3,000	3,000	0
Donations	0	0	1,000	0	(1,000)
Shared Services	0	0	0	50,000	50,000
Other	41,000	54,000	85,000	102,000	17,000
Totals	<u>\$234,000</u>	<u>\$216,000</u>	<u>\$313,000</u>	<u>\$409,000</u>	<u>\$96,000</u>

Other Financing Sources

Other Financing Sources - During fiscal year 2014, the School District received a refund from the Bureau of Workers' Compensation as well as recorded checks voided due to insufficient funds.

Transfers In - During fiscal years 2011 and 2012, the School District received approval from the Court of Common Pleas to transfer funds from the permanent improvement fund to the general fund. There is no longer any money remaining in the permanent improvement fund.

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors, and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative salaries are set by an administrative agreement.

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Staffing levels for the last three fiscal years and the forecast period are displayed in the chart below. The amounts represent full time equivalents.

	2011	2012	2013	2014
General Fund				
Certified	19.3	18.3	15.6	17.1
Classified	8.5	8.0	6.7	8.5
Total General Fund	27.8	26.3	22.3	25.6
Other Funds				
Certified	3.0	3.0	2.0	3.0
Classified	2.5	1.0	.8	1.5
Total Other Funds	5.5	4.0	2.8	4.5
Totals	33.3	30.3	25.1	30.1

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives for existing staff. The current contract covers the period July 1, 2013, to June 30, 2014, and provides for step increases ranging from 2 percent to 4 percent. The increase in salaries in fiscal year 2012 was due to a 4 percent increase in base salaries and step increases. Salaries decreased in fiscal year 2013 due to a reduction in staff and making several positions part-time positions. There were no base salary or step increases in fiscal year 2013. The increase in salaries in fiscal year 2014 is due to step increases of 2 to 4 percent as outlined in the negotiated contract and the addition of a teacher and guidance counselor. The School District is currently in negotiations for a new contract to begin for fiscal year 2015.

Classified salaries are based on the handbook approved by the School District in August 2010. The handbook has no expiration date. Salaries decreased in fiscal year 2014 because the School District split jobs for several employees; therefore, a portion of their salaries are being paid from funds other than the general fund. However, classified employees paid from the general fund did increase as the School District replaced a custodian vacancy at the beginning of fiscal year 2014 and added an additional bus driver.

Substitute salaries are forecasted to decrease in fiscal year 2014. In fiscal year 2013, the School District had two foreign exchange students that required tutoring for the English language.

Supplemental salaries are forecasted to increase due to payment is owed to several employees for prior year services.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Severance costs are forecasted based on eligible employees and their accumulated balances available for severance payment.

Other salaries consist of payments to employees based on an insurance opt out provision in the negotiated agreements. For fiscal year 2014, there are fewer individuals participating in the insurance opt out program.

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Presented below is a comparison of salaries and wages for fiscal years 2011, 2012 and 2013 and the forecast period.

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Variance Increase (Decrease)
Certified Salaries	\$763,000	\$816,000	\$695,000	\$875,000	\$180,000
Classified Salaries	222,000	249,000	213,000	192,000	(21,000)
Substitute Salaries	26,000	28,000	48,000	43,000	(5,000)
Supplemental Contracts	50,000	46,000	34,000	42,000	8,000
Severance	0	0	6,000	2,000	(4,000)
Other Salaries and Wages	60,000	60,000	64,000	55,000	(9,000)
Totals	\$1,121,000	\$1,199,000	\$1,060,000	\$1,209,000	\$149,000

Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund health care benefits for employees earnings less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. The School District pays the employee retirement contributions for its superintendent, principals, and treasurer.

STRS salaries increased due to salary increases outlined in the negotiated agreement that was effective for fiscal year 2014 resulting in an increase in the STRS retirement contribution.

SERS salaries decreased due to paying some employees from other funds. In addition, the School District overestimated SERS related salaries in the prior fiscal year upon which the SERS retirement contribution is calculated. As a result of these factors, the overall SERS retirement contribution decreased.

In years past, SERS had been paid six months in arrears by Ohio school districts. On March 18, 2010, the SERS Board decided to give school districts two payment options related to this arrearage. Option one was for the school district to pay the six month arrearage by June 30, 2010, to become current. Option two is for SERS to spread the six month arrearage amount over a six year period adding this amount to the current payment. Bettsville Local School District has chosen option two and has a total arrearage liability of \$26,760, with annual payments of \$4,460.

Bettsville Local School District
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Summary of Significant Assumptions and Accounting Policies
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Health care, vision, dental, and life insurance rates are fixed by the Board of Education on a yearly basis, from January to December. The monthly payments for these benefits are as follows.

Coverage	Effective January 1, 2013	Effective January 1, 2014
Health		
Current Plan Active		
Certified/Classified		
Single	\$507.80	\$468.40
Family	1,229.40	1,113.90
Mid Plan Active		
Certified/Classified		
Single	491.54	468.40
Family	1,189.48	1,113.90
High Plan Active		
Single	374.41	468.40
Dental		
Current Plan Active		
Certified/Classified		
Single	74.07	74.07
Family	74.07	74.07
Mid Plan Active		
Certified/Classified		
Single	74.07	74.07
Family	74.07	74.07
High Plan Active		
Single	74.07	74.07
Family	74.07	74.07
Vision		
Current Plan Active		
Certified/Classified		
Single	9.29	9.29
Family	20.72	20.72
Mid Plan Active		
Certified/Classified		
Single	9.29	9.29
Family	20.72	20.72
High Plan Active		
Single	9.29	9.29
Life		
Certified/Classified	5.10	5.10

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Employee insurance costs are based on the number of employees participating in the program and the type of coverage (single or family) provided to each employee. The insurance program includes medical, prescription drug, dental care, vision, and life insurance. Rates are fixed for a twelve month period. The increase in insurance cost is based on current employee participation. In addition, the School District did not pay May through October 2013 premiums. The forecast includes the total premium arrearage amount to be paid back before fiscal year end.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. In fiscal year 2013, the School District paid 100 percent of the premium for calendar year 2012 in May. In fiscal year 2014, the School District will pay 100 percent of the premium for calendar year 2013. The workers' compensation rate is expected to remain the same as fiscal year 2013. The amount forecasted for fiscal year 2014 is comparable to the prior fiscal year.

Medicare is forecasted to remain consistent with fiscal year 2013.

Other benefits include unemployment. Unemployment is forecasted to increase slightly in 2014 for an employee who left in a prior fiscal year.

Presented below is a comparison of fiscal years 2011, 2012, 2013 and the forecast period.

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Variance Increase
Employer's Retirement	\$178,000	\$172,000	\$186,000	\$196,000	\$10,000
Insurance	238,000	237,000	189,000	252,000	63,000
Workers' Compensation	6,000	6,000	5,000	6,000	1,000
Medicare	18,000	20,000	18,000	18,000	0
Other Benefits	0	4,000	0	1,000	1,000
Totals	<u>\$440,000</u>	<u>\$439,000</u>	<u>\$398,000</u>	<u>\$473,000</u>	<u>\$75,000</u>

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Purchased Services

Presented below are the purchased service expenditures for the past three fiscal years and the forecast period.

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Variance Increase (Decrease)
Professional and Technical Services	\$26,000	\$27,000	\$34,000	\$57,000	\$23,000
Property Services	34,000	43,000	39,000	56,000	17,000
Travel and Meeting Expenses	6,000	5,000	5,000	5,000	0
Communication Costs	14,000	19,000	10,000	18,000	8,000
Utility Services	131,000	120,000	132,000	141,000	9,000
Tuition Payments	429,000	567,000	631,000	632,000	1,000
Pupil Transportation	5,000	0	1,000	0	(1,000)
Other Purchased Services	0	0	9,000	3,000	(6,000)
Totals	\$645,000	\$781,000	\$861,000	\$912,000	\$51,000

Professional and technical services are forecasted to increase in fiscal year 2014 due to contracting with the North Central Ohio Educational Service Center for educational consultants and special education supervision. In addition, in fiscal year 2014, the School District is paying the insurance premiums for former employees who are still participating in the School District's insurance program (COBRA participation). The increase in property services is based on contract lease payments. Travel and meeting expenses and tuition payments will remain consistent with the prior year amounts. Communication costs will be higher in fiscal year 2014. The School District was able to utilize State grant funding to cover some of these costs in fiscal year 2013. Utility services are projected to increase in fiscal year 2014 due to the rising cost of electric service and heating bills (natural gas).

Nothing is projected for pupil transportation for fiscal year 2014. The School District provides all transportation and no parents have elected to accept payment in lieu of transportation. Other purchased services have been forecasted based on the total amount contracted with the North Central Ohio Educational Service Center for claims services for fiscal year 2014.

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Supplies and Materials

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period.

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Variance Increase
General Supplies, Library Books, and Periodicals	\$16,000	\$9,000	\$10,000	\$10,000	\$0
Operations, Maintenance, and Repair	25,000	34,000	30,000	37,000	7,000
Totals	\$41,000	\$43,000	\$40,000	\$47,000	\$7,000

Supplies and materials are anticipated to increase during fiscal year 2014. General supplies, library books, and periodicals are expected to remain at the same level as the prior fiscal year. Operations, maintenance, and repairs are expected to increase as a result of fuel and maintenance costs increasing. The School District has an additional bus route in fiscal year 2014.

Capital Outlay

The costs of property, plant, and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2014, the forecasted amount represents amounts already spent in fiscal year 2014. No further expenditures are anticipated.

Other Objects

Other object expenditures consist of dues, fees, and liability insurance. The forecasted expenditures are significantly less than the prior fiscal year. In fiscal year 2013, the School District was required to repay the Ohio Department of Education for an overpayment of foundation resources, in the amount of \$370,000.

Other Financing Uses

Transfers Out - During fiscal years 2011 and 2012, the general fund made transfers to subsidize operations in other funds. No transfers are anticipated for fiscal year 2014.

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. There are no encumbrances being forecasted for purchased services, supplies and materials, capital outlay, and other objects for the fiscal year ended June 30, 2014.

Note 9 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues 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 fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years.

Textbooks and Instructional Materials Set Aside

In prior fiscal years, the School District was required to set aside a portion of current year revenue for textbooks and other instructional materials. Effective July 1, 2011, the textbook set aside no longer exists and has been deleted from law; therefore, no reserve amount is forecasted for textbooks and instructional materials.

Capital Acquisition and Improvements Set Aside

For fiscal year 2014, the School District has offsets for capital acquisitions and improvements. This amount was more than the required set aside amount; therefore, no reserve is forecasted for capital acquisition and improvements.

Note 10 - Levies

The School District has placed several levies on the ballot in the last 10 years. The type of levy, millage amount, term, and election results are as follows.

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
May 2003	Income Tax Renewal	1.00%	5 Years	Passed
November 2007	Income Tax Renewal	1.00	5 Years	Passed
November 2012	Income Tax Renewal	1.00	5 Years	Failed
May 2013	Income Tax Renewal	1.00	5 Years	Passed

Bettsville Local School District
Seneca County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Note 11 - Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 - Information Related to Periods Beyond the Forecast Period

The School District is required to annually prepare and file a five-year financial plan with the Ohio Department of Education after approval by resolution of the Board of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in October 2013 covered fiscal years 2014 through 2018 and assumes the continued operation of the School District with a decrease in revenues. The plan assumes staff changes for fiscal year 2015. At that time, the School District anticipated an accumulated operating deficit of \$123,000 by the end of fiscal year 2014. An updated five-year financial plan is required to be filed with the Ohio Department of Education by the end of May 2014 and will cover fiscal years 2014 through 2018.

The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for analysis purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.

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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
FEBRUARY 4, 2014**