



# Balestra, Harr & Scherer, CPAs, Inc.

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

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BETTSVILLE LOCAL SCHOOL DISTRICT  
SENECA COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2012  
Fiscal Year Audited Under GAGAS: 2012





# 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, 2011 through June 30, 2012. 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

January 8, 2013

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**BETTSVILLE LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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# Balestra, Harr & Scherer, CPAs, Inc.

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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, (the School District) as of and for the year ended June 30, 2012, 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 Bettsville Local School District, Seneca County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the budgetary comparison for 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 28, 2012, 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.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
September 28, 2012



**Bettsville Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

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As management of the Bettsville Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2012 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 \$201,479.

General cash receipts accounted for \$2,351,675 or 79 percent of total receipts. Program specific cash receipts in the form of charges for services and sales, grants, and contributions accounted for \$636,568 or 21 percent of total cash receipts of \$2,988,243.

The School District had \$3,189,722 in cash disbursements related to governmental activities; only \$636,568 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions. General cash receipts (primarily grants, entitlements, and property taxes) of \$2,351,675 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, 2012*  
*(Unaudited)*

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**REPORTING THE DISTRICT AS A WHOLE**

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

The statement of net assets and the statement of activities reflect how the School District did financially during 2012, 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 and the Bond Retirement 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, 2012*  
*(Unaudited)*

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***Fiduciary Funds***

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

**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011.

(Table 1)  
 Net Assets

	Governmental Activities	
	2012	2011
<b>Assets</b>		
Current Assets	\$ 447,670	\$ 649,149
Total Assets	447,670	649,149
<b>Net Assets</b>		
Restricted	234,472	682,698
Unrestricted	213,198	(33,549)
Total Net Assets	\$ 447,670	\$ 649,149

Cash and cash equivalents decreased \$201,479, 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, 2012  
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012 as compared to 2011.

(Table 2)  
Changes in Net Assets

	Governmental Activities	Governmental Activities
	2012	2011
<b>Cash Receipts</b>		
Program Cash Receipts:		
Charges for Services and Sales	\$ 181,091	\$ 226,614
Operating Grants and Contributions	455,477	639,213
Total Program Cash Receipts	<u>636,568</u>	<u>865,827</u>
General Cash Receipts:		
Property Taxes	444,325	429,175
Income Tax	234,368	205,502
Grants and Entitlements not Restricted to Specific Programs	1,623,691	1,211,139
Refunding Bonds Issued	-	425,000
Premium on Refunding Bonds	-	39,901
Interest	1,066	2,233
Miscellaneous	48,225	33,615
Total General Cash Receipts	<u>2,351,675</u>	<u>2,346,565</u>
Total Cash Receipts	<u>2,988,243</u>	<u>3,212,392</u>
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	1,306,145	1,243,482
Special	531,537	511,225
Support Services:		
Pupils	121,683	97,398
Instructional Staff	41,760	43,011
Board of Education	8,761	10,205
Administration	308,841	288,169
Fiscal	171,981	174,580
Operation and Maintenance of Plant	296,167	280,170
Pupil Transportation	191,873	101,922
Central	2,540	-
Operation of Non-Instructional Services	79,738	83,011
Extracurricular Activities	69,040	76,012
Debt Service:		
Principal	41,577	26,090
Interest and Fiscal Charges	18,079	15,960
Issuance Costs	-	28,110
Payments to Refunding Escrow Agent	-	436,791
Total Cash Disbursements	<u>3,189,722</u>	<u>3,416,136</u>
Change in Net Assets	(201,479)	(203,744)
Net Assets, Beginning of the Year	649,149	852,893
Net Assets, End of the Year	<u>\$ 447,670</u>	<u>\$ 649,149</u>

**Bettsville Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

**Governmental Activities**

Grants and entitlements not restricted to specific programs made up 54 percent of cash receipts for governmental activities of the School District for fiscal year 2012. Property tax receipts made up 15 percent of the total cash receipts for governmental activities for a total of 69 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs. Operating grants and contributions made up 15 percent of cash receipts for governmental activities. Increases in grants and entitlements not restricted to specific programs were due to increased foundation receipts. Decreases to operating grants and contributions are due to decreased monies received in the Special Ed Part B-IDEA, Title II-A and Migrant 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 a decrease in monies received for refunding bonds issued and premiums on refunding as a result of the School District refunding their classroom facilities debt in the prior year.

Regular instruction comprises 41 percent of governmental program cash disbursements. Special instruction comprises 17 percent of governmental cash disbursements. Disbursements decreased overall because 2011 disbursements included payments to refunding escrow agent and issuance costs as a result of the School District refunding their classroom facilities debt in the prior year.

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 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Instruction	\$ 1,837,682	\$ 1,424,795	\$ 1,754,707	\$ 1,212,970
Support Services	1,143,606	1,004,416	995,455	774,736
Operation of Non-Instructional Services	79,738	16,758	83,011	3,758
Extracurricular Activities	69,040	51,568	76,012	53,133
Principal	41,577	38,980	26,090	25,596
Interest and Fiscal Charges	18,079	16,637	15,960	15,215
Issuance Costs	-	-	28,110	28,110
Payment to Refunding Escrow Agent	-	-	436,791	436,791
<b>Total Cash Disbursements</b>	<b>\$ 3,189,722</b>	<b>\$ 2,553,154</b>	<b>\$ 3,416,136</b>	<b>\$ 2,550,309</b>

**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 \$3,394,773 and cash disbursements and other financing disbursements of \$3,596,252. The most significant change in fund balance was in the General Fund where the fund balance increased by \$175,211.

A primary reason for this increase was that intergovernmental revenue increased \$411,875. This increase was offset by an increase in pupil transportation and operation and maintenance of plant disbursements.

For the Bond Retirement Fund, the fund balance increased \$3,301.

**Bettsville Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(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 2012, the School District revised its budget for disbursements as it attempted to deal with unexpected changes in disbursements. 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 2012, the School District filed a certificate of estimated resources. The School District did not amend its certificate of estimated resources during the year. For the General Fund, original and final estimated receipts were \$2,350,375. Actual receipts were \$2,754,727, \$404,352 above the final estimated receipts due to increased foundation receipts.

At the end of fiscal year 2012, the School District filed an amended appropriations resolution. This resulted in the General Fund's final appropriations increasing \$58,557 from the original appropriations. Actual disbursements were \$2,592,160, \$73,091 more than final estimated disbursements, which was due mainly to greater than expected regular and special instruction disbursements.

**Capital Assets**

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had no capital outlay disbursements during fiscal year 2012.

**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, 2012, the School District had \$403,411 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

	2012	2011
2011 Refunding Bonds:		
Current Interest Bonds	\$ 375,000	\$ 410,000
Capital Appreciation Bonds	15,000	15,000
Capital Leases	13,411	19,988
Totals	\$ 403,411	\$ 444,988

**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 Luhring, Treasurer at Bettsville Local School District, 118 Washington Street, Bettsville, Ohio 44815, or email [rluhring@bettsville.k12.oh.us](mailto:rluhring@bettsville.k12.oh.us).

**Bettsville Local School District**  
*Statement of Net Assets - Cash Basis*  
*June 30, 2012*

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Equity in pooled cash and cash equivalents	\$ 447,663
Cash and cash equivalents with fiscal agents	7
<i>Total Assets</i>	<u>447,670</u>
<b>NET ASSETS:</b>	
Restricted for debt service	170,997
Restricted for other purposes	50,538
Restricted for set-asides	12,937
Unrestricted	213,198
<i>Total Net Assets</i>	<u>\$ 447,670</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, 2012

	Cash Disbursements	Program Cash Receipts		Net (Disbursements)
		Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Assets
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 1,306,145	\$ 75,441	\$ 74,511	\$ (1,156,193)
Special	531,537	31,723	231,212	(268,602)
Support Services:				
Pupils	121,683	7,012	2,826	(111,845)
Instructional staff	41,760	2,410	1,665	(37,685)
Board of education	8,761	504	-	(8,257)
Administration	308,841	17,883	24,254	(266,704)
Fiscal	171,981	9,908	14,949	(147,124)
Operation and maintenance of plant	296,167	16,099	15,352	(264,716)
Pupil transportation	191,873	10,462	15,866	(165,545)
Central	2,540	-	-	(2,540)
Operation of non-instructional services	79,738	4,879	58,101	(16,758)
Extracurricular activities	69,040	4,038	13,434	(51,568)
Debt service:				
Principal	41,577	381	2,216	(38,980)
Interest and fiscal charges	18,079	351	1,091	(16,637)
<i>Total Governmental Activities</i>	<u>\$ 3,189,722</u>	<u>\$ 181,091</u>	<u>\$ 455,477</u>	(2,553,154)
<b>General Cash Receipts:</b>				
Property taxes levied for:				
General purposes				393,765
Other purposes				7,898
Debt service				42,662
Income tax				234,368
Grants and entitlements, not restricted to specific programs				1,623,691
Interest				1,066
Miscellaneous				48,225
<i>Total General Cash Receipts</i>				<u>2,351,675</u>
<i>Change in Net Assets</i>				(201,479)
<i>Net Assets Beginning of Year</i>				<u>649,149</u>
<i>Net Assets End of Year</i>				<u>\$ 447,670</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, 2012*

	<u>General</u>	<u>Bond Retirement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Equity in pooled cash and cash equivalents	\$ 213,199	\$ 170,997	\$ 50,530	\$ 434,726
Cash and cash equivalents with fiscal agents	-	-	7	7
<b>Restricted Assets:</b>				
Equity in pooled cash and cash equivalents	<u>12,937</u>	<u>-</u>	<u>-</u>	<u>12,937</u>
<i>Total Assets</i>	<u><u>\$ 226,136</u></u>	<u><u>\$ 170,997</u></u>	<u><u>\$ 50,537</u></u>	<u><u>\$ 447,670</u></u>
<b>FUND BALANCES:</b>				
Restricted	\$ 12,937	\$ 170,997	\$ 50,537	\$ 234,471
Assigned	14,117	-	-	14,117
Unassigned	<u>199,082</u>	<u>-</u>	<u>-</u>	<u>199,082</u>
<i>Total Fund Balances</i>	<u><u>\$ 226,136</u></u>	<u><u>\$ 170,997</u></u>	<u><u>\$ 50,537</u></u>	<u><u>\$ 447,670</u></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, 2012*

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
<b>CASH RECEIPTS:</b>				
Property taxes	\$ 393,765	\$ 42,662	\$ 7,898	\$ 444,325
Income tax	234,368	-	-	234,368
Intergovernmental	1,618,841	8,662	450,067	2,077,570
Interest	894	-	172	1,066
Tuition and fees	123,255	-	-	123,255
Rent	20,000	-	-	20,000
Extracurricular activities	-	-	16,822	16,822
Gifts and donations	-	-	1,598	1,598
Customer sales and services	-	-	21,014	21,014
Miscellaneous	48,225	-	-	48,225
<i>Total Cash Receipts</i>	<u>2,439,348</u>	<u>51,324</u>	<u>497,571</u>	<u>2,988,243</u>
<b>CASH DISBURSEMENTS:</b>				
Current:				
Instruction:				
Regular	1,203,055	-	103,090	1,306,145
Special	217,894	-	313,643	531,537
Support Services:				
Pupils	117,804	-	3,879	121,683
Instructional staff	39,475	-	2,285	41,760
Board of education	8,761	-	-	8,761
Administration	275,554	-	33,287	308,841
Fiscal	150,531	999	20,451	171,981
Operation and maintenance of plant	257,539	-	38,628	296,167
Pupil transportation	158,749	-	33,124	191,873
Central	-	-	2,540	2,540
Operation of non-instructional services	-	-	79,738	79,738
Extracurricular activities	50,603	-	18,437	69,040
Debt service:				
Principal	5,797	35,000	780	41,577
Interest and fiscal charges	5,335	12,024	720	18,079
<i>Total Cash Disbursements</i>	<u>2,491,097</u>	<u>48,023</u>	<u>650,602</u>	<u>3,189,722</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(51,749)</u>	<u>3,301</u>	<u>(153,031)</u>	<u>(201,479)</u>
<b>OTHER FINANCING RECEIPTS AND DISBURSEMENTS:</b>				
Transfers in	316,745	-	7,295	324,040
Advances in	-	-	82,490	82,490
Transfers out	(7,295)	-	(316,745)	(324,040)
Advances out	(82,490)	-	-	(82,490)
<i>Total Other Financing Receipts and Disbursements</i>	<u>226,960</u>	<u>-</u>	<u>(226,960)</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	175,211	3,301	(379,991)	(201,479)
<i>Fund Balances at Beginning of Year</i>	<u>50,925</u>	<u>167,696</u>	<u>430,528</u>	<u>649,149</u>
<i>Fund Balances at End of Year</i>	<u>\$ 226,136</u>	<u>\$ 170,997</u>	<u>\$ 50,537</u>	<u>\$ 447,670</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, 2012*

	<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	\$ 2,350,375	\$ 2,350,375	\$ 2,754,727	\$ 404,352
Total disbursements and other financing disbursements	<u>2,460,512</u>	<u>2,519,069</u>	<u>2,592,160</u>	<u>(73,091)</u>
Net Change in Fund Balance	(110,137)	(168,694)	162,567	331,261
Fund Balance at Beginning of Year	(44,587)	(44,587)	(44,587)	-
Prior Year Encumbrances Appropriated	<u>95,512</u>	<u>95,512</u>	<u>95,512</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ (59,212)</u>	<u>\$ (117,769)</u>	<u>\$ 213,492</u>	<u>\$ 331,261</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, 2012*

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	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 18,478
<i>Total Assets</i>	<u>\$ 18,478</u>
NET ASSETS:	
Unrestricted	\$ 18,478
<i>Total Net Assets</i>	<u>\$ 18,478</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, 2012*

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

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

The School District was established in 1841 through the consolidation of existing land areas and school districts and is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The School District currently operates one elementary school, one middle school, and one comprehensive high school located in one building. The School District employs 9 non-certified and 19 certified employees to provide services to 155 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, 2012*

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

*Government-wide Financial Statements*

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

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

*Fund Financial Statements*

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

**B. Fund Accounting**

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

*Governmental Funds:*

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

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources not 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.

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**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, 2012*

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

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

**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 and all other governmental funds during fiscal year 2012 amounted to \$894 and \$172, 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, 2012*

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**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, 2012*

**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 \$234,472 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 restriction, commitment, or assignment of fund balance (cash basis). The encumbrances outstanding at June 30, 2012 amounted to \$12,836 for the General Fund.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
Cash Basis	\$175,211
Perspective Difference:	
Activity of Funds Reclassed for	
GAAP Reporting Purposes	192
Encumbrances	(12,836)
Budget Basis	\$162,567

**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.

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

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;
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.

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

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.

**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, 2012, the School District’s bank balance of \$563,285 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, 2012, the School District had the following investments:

	Amount	Weighted Average Maturity
Repurchase Agreement	\$ 379,217	< 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, 2012*

**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 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2010, and are collected in 2012 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 2012 were levied after April 1, 2011, on the value as of December 31, 2011. 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 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$19,825,470	94.91%	\$21,245,870	94.84%
Public Utility	1,062,250	5.09%	1,155,640	5.16%
Total Assessed Value	<u>\$20,887,720</u>	<u>100.00%</u>	<u>\$22,401,510</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.00		\$35.00	

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**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, 2012, 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)	\$8,847,260
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 2012, 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, 2012*

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**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](http://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 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 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, 2012, 2011 and 2010 were \$47,856, \$50,232, and \$56,776, 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, 2012*

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**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, 2012, 2011, and 2010, 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, 2012, 2011, and 2010 were \$145,380, \$138,780, and \$135,270, respectively; which were equal to the required amounts for those years.

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

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, 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, 2012*

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**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](http://www.strsoh.org) or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011, and 2010. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$10,384, \$9,913, and \$9,662 for fiscal years 2012, 2011, and 2010, 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 2012 was \$99.90 for most participants, but could be as high as \$319.70 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 2012, 2011, and 2010, the actuarially required allocations were 0.75 percent, 0.76 percent, and 0.76 percent, respectively. For the District, contributions for the years ended June 30, 2012, 2011, and 2010, were \$2,564, \$2,727, and \$3,082, 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, 2012*

**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, 2012, 2011, and 2010, the health care allocations were 0.55 percent, 1.43 percent, and 0.46 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 2012, 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 2012, 2011, and 2010 fiscal years equaled \$8,115, \$11,288, and \$8,084, 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 on SERS website at [www.ohsers.org](http://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 2012 totaled \$6,577.

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, 2012:

Fiscal Year Ending June 30,	
2013	\$ 8,176
2014	<u>6,814</u>
Total	14,990
Less: Amount Representing Interest	<u>(1,579)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 13,411</u></u>

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

**NOTE 9 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/11	Additions	Deductions	Amount Outstanding 6/30/12	Amount Due in One Year
<u>General Obligation Bonds:</u>					
2011 Refunding Bonds					
Current Interest Bonds	\$ 410,000	\$ -	\$ 35,000	\$ 375,000	\$ 35,000
Capital Appreciation Bonds	15,000	-	-	15,000	-
Capital Lease	19,988	-	6,577	13,411	7,103
Total Long-Term Obligations	<u>\$ 444,988</u>	<u>\$ -</u>	<u>\$ 41,577</u>	<u>\$ 403,411</u>	<u>\$ 42,103</u>

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 2012, the capital appreciation bonds were accreted \$2,151.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2012, are as follows:

Fiscal year Ending June 30,	2011 Current Interest		2011 Capital Appreciation Bonds
	Principal	Interest	
2013	\$ 35,000	\$ 11,718	\$ -
2014	35,000	11,105	-
2015	35,000	10,493	-
2016	35,000	9,880	-
2017	35,000	8,778	-
2018-2022	115,000	16,161	54,901
2023-2024	85,000	8,924	-
Total	<u>\$ 375,000</u>	<u>\$ 77,059</u>	<u>\$ 54,901</u>

The School District's overall legal debt margin was \$1,626,136 with an unvoted debt margin of \$22,402 at June 30, 2012.

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**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 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 capital improvements. Disclosure of this information is required by State statute.

	Capital Improvement
Set-aside Reserve Balance as of June 30, 2011	\$ 17,565
Current Year Set-aside Requirement	30,987
Current Year Offsets	(2,417)
Qualifying Disbursements	(33,198)
Totals	\$ 12,937
Set-aside Reserve Balance as of June 30, 2012	\$ 12,937

Effective July 1, 2011, the textbook reserve requirement was eliminated; therefore, no balance or other information is presented.

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**NOTE 13- CONTINGENCIES**

**A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**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 2012:

Interfund Transfers	Transfers In	Transfers Out
General Fund	\$ 316,745	\$ 7,295
Other Governmental Funds	7,295	316,745
Total Transfers	\$ 324,040	\$ 324,040

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 2012:

Interfund Advances	Advances In	Advances Out
General Fund	\$ -	\$ 82,490
Other Governmental Funds	82,490	-
Total Advances	\$ 82,490	\$ 82,490

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 \$117,769, at June 30, 2012.

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**NOTE 16 – COMPLIANCE** (continued)

Contrary to Ohio Revised Code Section 5705.41(B), the School District had actual disbursements in excess of budgeted appropriations in the General Fund, Permanent Improvement Fund, and the Food Service Fund.

**NOTE 17 – 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	Nonmajor Governmental Funds	Total Governmental Funds
<b>Restricted for</b>				
Food Service Operations	\$0	\$0	\$6,661	\$6,661
Other Purposes	0	0	16,487	16,487
Classroom Maintenance	0	0	17,474	17,474
Athletics	0	0	5,818	5,818
Migrant	0	0	4,097	4,097
Capital Maintenance	12,937	0	0	12,937
Debt Services Payments	0	170,997	0	170,997
Capital Improvements	0	0	0	0
Total Restricted	<u>12,937</u>	<u>170,997</u>	<u>50,537</u>	<u>234,471</u>
<b>Assigned to</b>				
Other Purposes	<u>14,117</u>	<u>0</u>	<u>0</u>	<u>14,117</u>
<b>Unassigned (Deficit)</b>	<u>199,082</u>	<u>0</u>	<u>0</u>	<u>199,082</u>
Total Fund Balances	<u>\$226,136</u>	<u>\$170,997</u>	<u>\$50,537</u>	<u>\$447,670</u>



## Balestra, Harr & Scherer, CPAs, Inc.

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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

To the Board of Education:

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, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 28, 2012, wherein we noted the School District follows a comprehensive accounting basis other than generally accepted accounting principles. 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*.

#### 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 2012-03 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 2012-01, 2012-02 and 2012-04.

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 management, the Board of Education, and others within the School District. We intend it for no one other than these specified parties.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
September 28, 2012



**BETTSVILLE LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

**FINDING NUMBER 2012-01**

**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 Board has elected not to comply with the requirement to file the GAAP financial report due to the cost associated with it.

**FINDING NUMBER 2012-02**

**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 General Fund, Permanent Improvement Fund and the Food Service Fund at fiscal year end by \$73,091, \$284,715 and \$2,151, respectively.

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

***Client Response:***

The District will closely monitor the actual expenditures and will make the appropriation amendments when necessary.

**BETTSVILLE LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

**FINDING NUMBER 2012-03**

**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:***

The Treasurer will continue to attend training programs and see out help from other local Treasurer's to keep informed.

**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:***

We did not receive a response regarding this finding.

BETTSVILLE LOCAL SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2012

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2011-001	Ohio Revised Code section 117.38 and Ohio Administrative Code Section 117-2-03(B)-Not reporting GAAP	No	Not corrected, reissued as 2012-01.
2011-002	Ohio Revised 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 2012-02.
2011-003	Ohio Revised 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.	Yes	Fully corrected
2011-004	Ohio Revised Code section 5705.39 provides in part that the total appropriations from each fund shall not exceed the total estimated resources.	No	Not corrected, reissued as 2012-04.
2011-005	Significant deficiency over budgetary controls	No	Not corrected, reissued as 2012-03.

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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  
JANUARY 22, 2013**