



Dave Yost • Auditor of State



**BETTSVILLE LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Bettsville Local School District  
Seneca County  
118 Washington Street  
Bettsville, Ohio 44815

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bettsville Local School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, 2013, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Classroom Facilities Maintenance, and Migrant funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As discussed in Note 19 to the financial statements, the District was declared into fiscal emergency by the Auditor of State as defined by Ohio Revised Code Section 3316.03(B)(3) on February 6, 2014. Note 19 describes the District's plan regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion and Analysis* includes tables of net position, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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 and Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 25, 2014

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**Bettsville Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*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, 2013 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 position of governmental activities decreased \$598,452.

General cash receipts accounted for \$1,939,007 or 70 percent of total receipts. Program specific cash receipts in the form of charges for services and sales, grants, and contributions accounted for \$829,111 or 30 percent of total cash receipts of \$2,768,118.

The School District had \$3,366,570 in cash disbursements related to governmental activities; only \$829,111 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions. General cash receipts (primarily grants, entitlements, and property taxes) of \$1,939,007 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 Position- cash basis* and *Statement of Activities – cash basis* 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 which is more fully described in Note 2 C to the basic financial statements. 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, 2013*  
*Unaudited*  
*(Continued)*

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**REPORTING THE DISTRICT AS A WHOLE**

***Statement of Net Position and Statement of Activities – Cash Basis***

The statement of net position and the statement of activities reflect how the School District did financially during 2013, within the limitations of the cash basis of accounting. The statement of net position 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 cash 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 cash receipts are all cash receipts not classified as program cash receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental function draws from the School District's general cash 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 position and the statement of activities, the School District has one type of activity.

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

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

***Fund Financial Statements***

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

*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 position and fund cash balances or changes in net position 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, 2013*  
*Unaudited*  
*(Continued)*

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*Fiduciary Funds* Fiduciary fund reporting focuses on net position and changes in net position. 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. The School District's agency fund is used to maintain financial activity of the School District's student managed activities and undistributed monies. 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 Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

(Table 1)  
 Net Position

	Governmental Activities	
	2013	2012
<b>Assets</b>		
Current Assets	\$ (150,782)	\$ 447,670
Total Assets	(150,782)	447,670
<b>Net Position</b>		
Restricted	253,940	234,472
Unrestricted	(404,722)	213,198
Total Net Position	\$ (150,782)	\$ 447,670

Cash and cash equivalents decreased \$598,452 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, 2013*  
*Unaudited*  
*(Continued)*

Table 2 shows the changes in net position for the fiscal year ended June 30, 2013 as compared to 2012.

(Table 2)  
Changes in Net Position

	Governmental Activities	Governmental Activities
	2013	2012
<b>Cash Receipts</b>		
Program Cash Receipts:		
Charges for Services and Sales	\$ 301,331	\$ 181,091
Operating Grants and Contributions	527,780	455,477
Total Program Cash Receipts	<u>829,111</u>	<u>636,568</u>
General Cash Receipts:		
Property Taxes	440,223	444,325
Income Tax	202,152	234,368
Grants and Entitlements not Restricted to Specific Programs	1,268,708	1,623,691
Gifts and Donations not Restricted to Specific Programs	1,500	-
Interest	525	1,066
Miscellaneous	25,899	48,225
Total General Cash Receipts	<u>1,939,007</u>	<u>2,351,675</u>
Total Cash Receipts	<u>2,768,118</u>	<u>2,988,243</u>
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	1,351,609	1,306,145
Special	541,666	531,537
Support Services:		
Pupils	50,747	121,683
Instructional Staff	29,894	41,760
Board of Education	9,138	8,761
Administration	241,905	308,841
Fiscal	206,723	171,981
Operation and Maintenance of Plant	253,086	296,167
Pupil Transportation	110,352	191,873
Central	8,108	2,540
Operation of Non-Instructional Services	79,045	79,738
Extracurricular Activities	52,522	69,040
Debt Service:		
Principal	42,103	41,577
Interest and Fiscal Charges	16,940	18,079
Refund of Prior Year Receipts	372,732	-
Total Cash Disbursements	<u>3,366,570</u>	<u>3,189,722</u>
Change in Net Position	(598,452)	(201,479)
Net Position, Beginning of the Year	447,670	649,149
Net Position (Deficit), End of the Year	<u>\$ (150,782)</u>	<u>\$ 447,670</u>

**Bettsville Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*  
*(Continued)*

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**Governmental Activities**

Grants and entitlements not restricted to specific programs made up 46 percent of cash receipts for governmental activities of the School District for fiscal year 2013. Property tax receipts made up 16 percent of the total cash receipts for governmental activities for a total of 62 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs. Operating grants and contributions made up 19 percent of cash receipts for governmental activities. Decreases in grants and entitlements not restricted to specific programs were due to an overpayment on the May 2012 foundation settlement, repaid in fiscal year 2013. Increases to operating grants and contributions are due to increased monies received in the Migrant and Race to the Top programs, which were partially offset by decreases to the Education Jobs program. Increases to charges for services and sales are due to an increase in tuition and fees.

Regular instruction comprises 40 percent of governmental program cash disbursements. Special instruction comprises 16 percent of governmental cash disbursements. Disbursements increased overall mainly due to the repayment of the May 2012 foundation settlement during the fiscal year.

The statement of activities – cash basis 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 and sales, restricted grants, fees and donations.

(Table 3)  
 Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Instruction	\$ 1,893,275	\$ 1,355,218	\$ 1,837,682	\$ 1,424,795
Support Services	909,953	709,409	1,143,606	1,004,416
Operation of Non-Instructional Services	79,045	3,453	79,738	16,758
Extracurricular Activities	52,522	38,527	69,040	51,568
Principal	42,103	42,103	41,577	38,980
Interest and Fiscal Charges	16,940	16,017	18,079	16,637
Refund of Prior Year Receipts	372,732	372,732	-	-
Total Cash Disbursements	<u>\$ 3,366,570</u>	<u>\$ 2,537,459</u>	<u>\$ 3,189,722</u>	<u>\$ 2,553,154</u>

**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 of \$2,768,118 and cash disbursements and other financing disbursements of \$3,366,570. The most significant change in fund balance was in the General Fund where the fund balance decreased by \$568,057.

A primary reason for this decrease was that General Fund intergovernmental receipts decreased \$361,693 as a result of decreased monies received from foundation as more fully described in Note 18.

For the Bond Retirement Fund, the fund balance decreased \$10,978. The Bond Retirement Fund had \$35,968 in receipts and \$46,946 in disbursements. The Classroom Facilities Maintenance Fund had a fund balance increase of \$8,084. The Classroom Facilities Maintenance Fund had \$13,339 in receipts and \$5,255 in disbursements. The Migrant Fund had an increase in fund balance in the amount of \$13,415. The Migrant Fund had \$284,191 in receipts and \$270,776 in disbursements.

**Bettsville Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*  
*(Continued)*

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**General Fund - Budget Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2013, the School District revised its budget for disbursements as it attempted to deal with unexpected changes in receipts and disbursements. A summary of the General Fund's original and final budgeted amounts are presented within the financial statements, as well as the actual amounts. A variance comparison is presented between the final budgeted amounts and the actual amounts.

For fiscal year 2013, 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 \$2,113,489, \$236,886 below the final estimated receipts due to decreased foundation receipts.

At the end of fiscal year 2013, the School District filed an amended appropriations resolution. This resulted in the General Fund's final appropriations decreasing \$354,443 from the original appropriations. Actual disbursements and other financing disbursements were \$2,681,791, \$598,398 more than final estimated disbursements, which was due mainly to the repayment of the May 2012 foundation settlement during the fiscal year.

**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 2013.

**Debt**

Under the cash basis of accounting, the School District does not report bonds or capital leases in the accompanying modified 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, 2013, the School District had \$368,946 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

	2013	Restated 2012
2011 Refunding Bonds:		
Current Interest Bonds	\$ 340,000	\$ 375,000
Capital Appreciation Bonds	15,000	15,000
Accreted Interest	7,638	3,892
Capital Leases	6,308	13,411
Totals	\$ 368,946	\$ 407,303

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

**Bettsville Local School District**  
*Statement of Net Position - Cash Basis*  
*June 30, 2013*

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Equity in pooled cash and cash equivalents	\$ (150,782)
<i>Total Assets</i>	<u>(150,782)</u>
<b>NET POSITION:</b>	
Restricted for debt service	160,019
Restricted for classroom facilities maintenance	25,558
Restricted for other purposes	27,017
Restricted for food service operations	17,548
Restricted for migrant grant program	17,512
Restricted for set-asides	6,286
Unrestricted	(404,722)
<i>Total Net Position</i>	<u>\$ (150,782)</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, 2013

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Position
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$ 1,351,609	\$ 127,673	\$ 52,455	\$ (1,171,481)
Special	541,666	83,353	274,576	(183,737)
<b>Support Services:</b>				
Pupils	50,747	4,708	3,736	(42,303)
Instructional staff	29,894	2,848	665	(26,381)
Board of education	9,138	880	-	(8,258)
Administration	241,905	21,791	31,291	(188,823)
Fiscal	206,723	18,049	37,515	(151,159)
Operation and maintenance of plant	253,086	24,075	6,344	(222,667)
Pupil transportation	110,352	9,089	31,894	(69,369)
Central	8,108	432	7,227	(449)
Operation of non-instructional services	79,045	3,314	72,278	(3,453)
Extracurricular activities	52,522	4,606	9,389	(38,527)
<b>Debt service:</b>				
Principal	42,103	-	-	(42,103)
Interest and fiscal charges	16,940	513	410	(16,017)
Refund of Prior Year Receipts	372,732	-	-	(372,732)
<b>Total Governmental Activities</b>	<u>\$ 3,366,570</u>	<u>\$ 301,331</u>	<u>\$ 527,780</u>	(2,537,459)
<b>General Cash Receipts:</b>				
Property taxes levied for:				
General purposes				403,803
Other purposes				7,951
Debt service				28,469
Income tax				202,152
Grants and entitlements, not restricted to specific programs				1,268,708
Gifts and donations, not restricted to specific programs				1,500
Interest				525
Miscellaneous				25,899
<b>Total General Cash Receipts</b>				<u>1,939,007</u>
<b>Change in Net Position</b>				(598,452)
<b>Net Position Beginning of Year</b>				<u>447,670</u>
<b>Net Position (Deficit) End of Year</b>				<u>\$ (150,782)</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, 2013*

	General	Bond Retirement	Classroom Facilities Maintenance	Migrant	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Equity in pooled cash and cash equivalents	\$ (348,207)	\$ 160,019	\$25,558	\$ 17,512	\$ (11,950)	\$ (157,068)
Restricted Assets:						
Equity in pooled cash and cash equivalents	<u>6,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,286</u>
<i>Total Assets</i>	<u>\$ (341,921)</u>	<u>\$ 160,019</u>	<u>\$ 25,558</u>	<u>\$ 17,512</u>	<u>\$ (11,950)</u>	<u>\$ (150,782)</u>
<b>FUND BALANCES:</b>						
Restricted	\$ 6,286	\$ 160,019	\$ 25,558	\$ 17,512	\$ 44,565	\$ 253,940
Unassigned	<u>(348,207)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,515)</u>	<u>(404,722)</u>
<i>Total Fund Balances</i>	<u>\$ (341,921)</u>	<u>\$ 160,019</u>	<u>\$ 25,558</u>	<u>\$ 17,512</u>	<u>\$ (11,950)</u>	<u>\$ (150,782)</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, 2013

	General	Bond Retirement	Classroom Facilities Maintenance	Migrant	All Other Governmental Funds	Total Governmental Funds
<b>CASH RECEIPTS:</b>						
Property taxes	\$ 403,803	\$ 28,469	\$ 7,951	\$ -	\$ -	\$ 440,223
Income tax	202,152	-	-	-	-	202,152
Intergovernmental	1,257,148	7,499	5,388	283,961	241,793	1,795,789
Interest	498	-	-	-	27	525
Tuition and fees	213,722	-	-	-	-	213,722
Rent	12,693	-	-	-	-	12,693
Extracurricular activities	-	-	-	-	11,778	11,778
Gifts and donations	1,500	-	-	-	699	2,199
Customer sales and services	44,019	-	-	230	18,889	63,138
Miscellaneous	25,899	-	-	-	-	25,899
<i>Total Cash Receipts</i>	<u>2,161,434</u>	<u>35,968</u>	<u>13,339</u>	<u>284,191</u>	<u>273,186</u>	<u>2,768,118</u>
<b>CASH DISBURSEMENTS:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	1,292,756	-	-	-	58,853	1,351,609
Special	234,164	-	-	144,398	163,104	541,666
<b>Support Services:</b>						
Pupils	46,555	-	-	3,891	301	50,747
Instructional staff	29,148	-	-	-	746	29,894
Board of education	9,138	-	-	-	-	9,138
Administration	206,797	-	-	33,873	1,235	241,905
Fiscal	164,097	535	167	39,823	2,101	206,723
Operation and maintenance of plant	245,968	-	5,088	2,030	-	253,086
Pupil transportation	74,568	-	-	35,784	-	110,352
Central	-	-	-	-	8,108	8,108
Operation of non-instructional services	-	-	-	9,925	69,120	79,045
Extracurricular activities	41,988	-	-	-	10,534	52,522
<b>Debt service:</b>						
Principal	6,511	35,000	-	592	-	42,103
Interest and fiscal charges	5,069	11,411	-	460	-	16,940
<i>Total Cash Disbursements</i>	<u>2,356,759</u>	<u>46,946</u>	<u>5,255</u>	<u>270,776</u>	<u>314,102</u>	<u>2,993,838</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(195,325)</u>	<u>(10,978)</u>	<u>8,084</u>	<u>13,415</u>	<u>(40,916)</u>	<u>(225,720)</u>
<b>OTHER FINANCING DISBURSEMENTS:</b>						
Refund of Prior Year Receipts	(372,732)	-	-	-	-	(372,732)
<i>Total Other Financing Disbursements</i>	<u>(372,732)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(372,732)</u>
<i>Net Change in Fund Balances</i>	(568,057)	(10,978)	8,084	13,415	(40,916)	(598,452)
<i>Fund Balances at Beginning of Year</i>	<u>226,136</u>	<u>170,997</u>	<u>17,474</u>	<u>4,097</u>	<u>28,966</u>	<u>447,670</u>
<i>Fund Balances (Deficits) at End of Year</i>	<u>\$ (341,921)</u>	<u>\$ 160,019</u>	<u>\$ 25,558</u>	<u>\$ 17,512</u>	<u>\$ (11,950)</u>	<u>\$ (150,782)</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, 2013*

	<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	\$ 2,113,489	\$ (236,886)
Total disbursements and other financing disbursements	<u>2,437,836</u>	<u>2,083,393</u>	<u>2,681,791</u>	<u>(598,398)</u>
Net Change in Fund Balance	(87,461)	266,982	(568,302)	(835,284)
Fund Balance at Beginning of Year	213,492	213,492	213,492	-
Prior Year Encumbrances Appropriated	<u>11,380</u>	<u>11,380</u>	<u>11,380</u>	<u>-</u>
Fund Balance (Deficit) at End of Year	<u>\$ 137,411</u>	<u>\$ 491,854</u>	<u>\$ (343,430)</u>	<u>\$ (835,284)</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)*  
*Classroom Facilities Maintenance Fund*  
*For the Fiscal Year Ended June 30, 2013*

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total receipts and other financing receipts	\$ 10,867	\$ 10,867	\$ 13,339	\$ 2,472
Total disbursements and other financing disbursements	12,500	12,000	5,255	6,745
Net Change in Fund Balance	(1,633)	(1,133)	8,084	9,217
Fund Balance at Beginning of Year	16,974	16,974	16,974	-
Prior Year Encumbrances Appropriated	500	500	500	-
Fund Balance at End of Year	\$ 15,841	\$ 16,341	\$ 25,558	\$ 9,217

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)*  
*Migrant Fund*  
*For the Fiscal Year Ended June 30, 2013*

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total receipts and other financing receipts	\$ 291,782	\$ 291,782	\$ 284,191	\$ (7,591)
Total disbursements and other financing disbursements	235,000	305,291	271,547	33,744
Net Change in Fund Balance	56,782	(13,509)	12,644	26,153
Fund Balance at Beginning of Year	3,182	3,182	3,182	-
Prior Year Encumbrances Appropriated	912	912	912	-
Fund Balance at End of Year	\$ 60,876	\$ (9,415)	\$ 16,738	\$ 26,153

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

**Bettsville Local School District**  
*Statement of Fiduciary Assets and Liabilities - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2013*

		Agency
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	13,698
<i>Total Assets</i>	\$	13,698
<b>Liabilities:</b>		
Undistributed Monies	\$	1,948
Due to Students		11,750
<i>Total Liabilities</i>	\$	13,698

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, 2013*

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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 11 non-certified and 19 certified employees to provide services to 166 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 of the School District.

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 Joint Self-Insurance Association, 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 Career and Technology Centers
- 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 position 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, 2013*

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

*Government-wide Financial Statements*

The statement of net position 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 position-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 on a cash basis 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. The major source of revenue for this fund is tax revenue.

Classroom Facilities Maintenance Fund - The Classroom Facilities Maintenance Fund is used to account for the proceeds of a levy for the maintenance of facilities. The major revenue source for this fund is tax revenue.

Migrant Fund - The Migrant Fund is used to account for instructional programs for children of migratory agricultural workers or migratory fishers to obtain a secondary diploma, gain employment, be placed in other post-secondary education or training or be placed in a facility of higher education. The major revenue source for this fund is grant revenue.



**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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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 position and changes in net position. 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 and do not involve measurement of results of operations. The School District's agency funds account for student activities and undistributed monies.

**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, 2013*

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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 2013 amounted to \$498 and \$27, respectively.

**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 modified 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.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund represent amounts required by State statute to be set-aside for the acquisition and construction of capital improvements.

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

**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.

**K. Net Position**

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

Of the School District’s \$253,940 of restricted net position, none are restricted by enabling legislation.

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

**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. The District did not have any interfund transactions for the fiscal year ended of June 30, 2013.

**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 and the major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The following table summarizes the adjustments necessary to reconcile the cash basis and the budgetary basis statements for the General Fund, Classroom Facilities Maintenance Fund, and Migrant Fund.

Net Change in Fund Balance

	General	Classroom Facilities Maintenance	Migrant
Cash Basis	(\$568,057)	\$8,084	\$13,415
Adjustments:			
Perspective Difference:			
Activity of Funds Reclassed for			
GAAP Reporting Purposes	208	0	0
Encumbrances	(453)	0	(771)
Budget Basis	(\$568,302)	\$8,084	\$12,644

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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

1. United States treasury notes, bills, bonds, or 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.

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.

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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, 2013, the School District's bank balance of \$1,160 was covered by FDIC.

**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 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected in 2013 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.

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.

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$21,245,870	94.84%	\$21,201,660	94.30%
Public Utility	1,155,640	5.16%	1,282,470	5.70%
Total Assessed Value	\$22,401,510	100.00%	\$22,484,130	100.00%
Tax rate per \$1,000 of assessed valuation	\$35.00		\$35.00	

**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, 2013, 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)	\$8,979,969
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 2013, 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, 2013*

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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 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 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, 2013, 2012 and 2011 were \$42,996, \$47,856, and \$50,232, 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, 2013*

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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, 2013, 2012, and 2011, 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, 2013, 2012, and 2011 were \$131,076, \$145,380, and \$138,780, 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, 2013, 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, 2013*

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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, 2013, 2012, and 2011. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$10,083, \$10,384, and \$9,913 for fiscal years 2013, 2012, and 2011, 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 2013 was \$104.90 for most participants, but could be as high as \$335.70 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 2013, 2012, and 2011, the actuarially required allocations were 0.74 percent, 0.75 percent, and 0.76 percent, respectively. For the District, contributions for the years ended June 30, 2013, 2012, and 2011, were \$2,273, \$2,564, and \$2,727, 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, 2013

**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, 2013, 2012, and 2011, the health care allocations were 0.16 percent, 0.55 percent, and 1.43 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 2013, the minimum compensation level was established at \$20,525. 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 2013, 2012, and 2011 fiscal years equaled \$6,268, \$8,115, and \$11,288, 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 Major Special Revenue Fund. Principal payments in the fiscal year 2013 totaled \$7,103.

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, 2013:

Fiscal Year Ending June 30, 2013	
2014	\$ 6,814
Total	6,814
Less: Amount Representing Interest	(506)
Present Value of Net Minimum Lease Payments	\$ 6,308

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2013

**NOTE 9 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Restated Amount Outstanding 6/30/12	Additions	Deductions	Amount Outstanding 6/30/13	Amount Due in One Year
<u>General Obligation Bonds:</u>					
2011 Refunding Bonds					
Current Interest Bonds	\$ 375,000	\$ -	\$ 35,000	\$ 340,000	\$ 35,000
Capital Appreciation Bonds	15,000	-	-	15,000	-
Accreted Interest	3,892	3,746	-	7,638	4,490
Capital Lease	13,411	-	7,103	6,308	6,308
Total Long-Term Obligations	<u>\$ 407,303</u>	<u>\$ 3,746</u>	<u>\$ 42,103</u>	<u>\$ 368,946</u>	<u>\$ 45,798</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 \$80,000. For fiscal year 2013, the capital appreciation bonds were accreted \$3,746 for a total accreted amount of \$7,638.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2013, are as follows:

Fiscal year Ending June 30,	2011 Current Interest		2011 Capital Appreciation Bonds
	Principal	Interest	
2014	\$ 35,000	\$ 10,799	\$ -
2015	35,000	10,186	-
2016	35,000	9,329	-
2017	35,000	8,226	-
2018	35,000	7,124	-
2019-2023	120,000	23,793	80,000
2024	45,000	956	-
Total	<u>\$ 340,000</u>	<u>\$ 70,413</u>	<u>\$ 80,000</u>

The School District's overall legal debt margin was \$1,668,572 with an unvoted debt margin of \$22,484 at June 30, 2013.

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**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 Matt Bauer 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 Joint Self-Insurance Association**

The School District participates in the North Central Ohio Joint Self-Insurance Association, a public entity shared risk pool consisting of North Central Ohio ESC (NCOESC), the Sandusky County ESC, and five local school districts: Tiffin, Old Fort, Bettsville, Seneca East, 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, 2012	\$ 12,937
Current Year Set-aside Requirement	28,642
Current Year Offsets	(15,287)
Qualifying Disbursements	(20,006)
Totals	\$ 6,286
Set-aside Reserve Balance as of June 30, 2013	\$ 6,286

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**NOTE 13- CONTINGENCIES**

**A. Grants**

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**B. Litigation**

The School District is party to legal proceedings seeking damages or injunctive relief generally incidental to its operations. The School District is unable to determine the impact the disposition of this case may have on its financial condition as of the date of the financial statements.

**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). The School District collected \$202,152 during the fiscal year 2013.

**NOTE 15 – ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

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. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**B. Compliance**

At June 30, 2013, contrary to the Ohio Revised Code, the General Fund, EMIS, Special Education Part B - IDEA, Title I –Subgrant, Title I, Title II-A, and Title II-D Special Revenue Funds had deficit fund balances of \$341,921, \$261, \$420, \$548, \$32,165, \$9,947, and \$13,180, respectively. Deficits were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

At June 30, 2013, contrary to Ohio Revised Code Section 5705.41(B), the School District had expenditures plus encumbrances in excess of appropriations for the General Fund in the amount of \$598,398.

**NOTE 16 - CHANGES IN ACCOUNTING PRINCIPLES**

For 2013, the School District implemented Governmental Accounting Standard Board (GASB) Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities.”

GASB Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

**Bettsville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 16 - CHANGES IN ACCOUNTING PRINCIPLES** (continued)

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of these GASB Statements had no impact on beginning of year fund balance/net position. As the District prepares its financial statements on a cash basis, GASB Statement No. 62 and GASB Statement No. 65 had no effect other than some financial statement account terminology.

**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 governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities Maintenance</u>	<u>Migrant</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Restricted for</b>						
Food Service Operations	\$0	\$0	\$0	\$0	\$17,548	\$17,548
Other Purposes	0	0	0	0	19,244	19,244
Classroom Maintenance	0	0	25,558	0	0	25,558
Athletics	0	0	0	0	7,773	7,773
Migrant	0	0	0	17,512	0	17,512
Capital Maintenance	6,286	0	0	0	0	6,286
Debt Services Payments	0	160,019	0	0	0	160,019
Total Restricted	<u>6,286</u>	<u>160,019</u>	<u>25,558</u>	<u>17,512</u>	<u>44,565</u>	<u>253,940</u>
<b>Unassigned (Deficit)</b>	<u>(348,207)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(56,515)</u>	<u>(404,722)</u>
Total Fund Balances	<u>(\$341,921)</u>	<u>\$160,019</u>	<u>\$25,558</u>	<u>\$17,512</u>	<u>(\$11,950)</u>	<u>(\$150,782)</u>

**NOTE 18 – CASH FUND BALANCE DEFICITS**

The General Fund deficit fund balance is due to an overpayment on the May 2012 foundation payment which resulted in a refund of prior year receipt in the amount of \$372,732 during fiscal year 2013.

**NOTE 19 – FISCAL EMERGENCY**

On February 6, 2014, the School District was declared into fiscal emergency by the Auditor of State as defined by the Ohio Revised Code Section 3316.03(B)(3). The School District had an anticipated deficit of \$775,000 at the time of declaration. In accordance with the law, a five-member Financial Planning and Supervision Commission will be established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management of their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction, and the Seneca County Auditor. The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan.

The financial recovery plan must be developed by the Commission within 120 days of its first meeting. As of our opinion date, a plan had not yet been established.

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**BETTSVILLE LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPT AND EXPENDITURE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
National School Lunch Program			
Non-Cash Assistance (Food Distribution)	10.555	\$ 4,362	\$ 4,362
Cash Assistance	10.555	39,078	39,078
Total National School Lunch Program		<u>43,440</u>	<u>43,440</u>
Summer Food Service Program for Children	10.559	16,796	16,796
School Breakfast Program	10.553	<u>4,103</u>	<u>4,103</u>
Total U.S. Department of Agriculture - Nutrition Cluster		<u>64,339</u>	<u>64,339</u>
<b>U.S. DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	60,851	93,566
Migrant Education - State Grant Program	84.011	280,604	267,211
Special Education Cluster:			
Special Education - Grants to States	84.027	52,066	52,487
Special Education - Preschool Grants	84.173	1,939	1,939
Total Special Education Cluster		<u>54,005</u>	<u>54,426</u>
Improving Teacher Quality State Grants	84.367	9,417	20,842
Rural Education	84.358	18,293	18,292
ARRA - Race to the Top Incentive Grants	84.395A	<u>34,664</u>	<u>15,504</u>
Total U. S. Department of Education		<u>457,834</u>	<u>469,841</u>
<b>Total Federal Awards Receipt and Expenditure Schedule</b>		<u><u>\$ 522,173</u></u>	<u><u>\$ 534,180</u></u>

*The accompanying notes are an integral part of this schedule.*

**BETTSVILLE LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipt and Expenditure Schedule (the Schedule) reports Bettsville Local School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends Federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Bettsville Local School District  
Seneca County  
118 Washington Street  
Bettsville, Ohio 44815

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bettsville Local School District, Seneca County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 25, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles and wherein we noted the District was declared into fiscal emergency by the Auditor of State on February 6, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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. We consider finding 2013-004 described in the accompanying schedule of findings to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the 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, opining 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 2013-001 through 2013-003 and 2013-005.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 25, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Bettsville Local School District  
Seneca County  
118 Washington Street  
Bettsville, Ohio 44815

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited Bettsville Local School District, Seneca County, Ohio (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Bettsville Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Bettsville Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2013-006. This finding did not require us to modify our compliance opinion on each major federal program.

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

**Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-006 to be a material weakness.

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

Bettsville Local School District  
Seneca County  
Independent Auditor's Report on Compliance with  
Requirements Applicable to Each Major Federal  
Program and on Internal Control over Compliance  
Required by OMB Circular A-133  
Page 3

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

**Dave Yost**  
Auditor of State

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Columbus, Ohio

March 25, 2014

**BETTSVILLE LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CDFA #84.011 – Migrant Education – State Grant Program and CFDA #84.395A – ARRA – Race to the Top Incentive Grants
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No



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

**FINDING NUMBER 2013-001**

**Noncompliance Citation**

**Ohio Revised Code § 117.38** provides that each public office, other than a state agency, 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 (B)**, which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's 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.

We recommend the District take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles.

**Officials' Response:**

The District is aware of this requirement, but chooses not to comply as a cost saving measure.

**FINDING NUMBER 2013-002**

**Finding for Recovery**

The Board of Education approved the Treasurer's contract on July 21, 2010. Section 1.c. provides any per diem calculation of pay which may be required shall be based on annual gross salary divided by 219 actual workdays (250 contract days minus the annual allotment of 11 paid holidays and 20 vacation days pursuant to paragraph 5). Days worked beyond 250 days shall be compensated on a per diem basis based upon a 219 day work year.

Section 4.b. sets his salary at \$58,350 per year beginning August 1, 2012. Section 5.f. provides the Treasurer shall accrue vacation leave at the rate of twenty (20) days per calendar year (1-2/3 days per month under contract). All or part of the vacation leave accrued, but unused at the end of any contract year may be exchanged for cash.

The Treasurer paid himself for twenty unused vacation days. On March 6, 2013 through March 11, 2013, the Treasurer took four business days' vacation. Since four vacation days were used, the Treasurer was only entitled to 16 unused vacation days, which resulted in an overpayment of \$1,065.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued in the amount of \$1,065 against Roger Lühring, and his bonding company, the Travelers Casualty and Surety Company of America, jointly and

severally, in favor of Bettsville Local School District.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Revised Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

**Officials’ Response:**

The Board of Education will take legal action if necessary, and will implement internal controls to be sure this does not happen in the future.

**FINDING NUMBER 2013-003**

**Noncompliance Citation**

**Ohio Revised Code § 5705.10(H)** requires money paid into any fund to be used only for the purposes for which such fund was established. As a result, a negative fund balance indicates money from one fund was used to cover the expenses of another fund.

During the audit period the District had funds with negative fund balances, including the following funds at June 30, 2013:

Fund	Deficit Balance
General	\$ 341,921
Special Revenue:	
Education Management Information System	261
Special Education Part B - IDEA	420
Title I - Subgrant	548
Title I	32,165
Title II-A	9,947
Title II-D	13,180

The existence of a deficit balance in any fund indicates money from other fund(s) was used to pay the obligations of the fund carrying the deficit balance. We recommend the Board monitor its financial activity and not approve any expenditure that will result in deficit balances.

**Officials’ Response:**

The Treasurer will provide the Board of Education with monthly financial reports, as well as give a verbal report at each Board meeting. Internal control will be implemented to ensure deficit balances do not exist.

#### FINDING NUMBER 2013-004

##### Material Weakness

##### Financial Reporting

The District's management is responsible for the fair presentation of the financial statements. Errors were noted in the financial statements resulting in fourteen audit adjustments ranging in amounts from \$408 to \$342,976. The adjustments are as follows:

- Negative fund balances in the General fund and Other Governmental funds of \$342,976 and \$56,515, respectively, were improperly accounted for as Liability Overdrafts;
- General fund amounts automatically deducted on the Foundation Settlement Reports (classified as refund of prior year receipt) of \$325,670 were improperly accounted for as reduction of Intergovernmental Revenues instead of Refund of Prior Year Receipt;
- Customer Sales and Services of \$44,019 and Miscellaneous Revenue of \$408 within the General fund were improperly accounted for as Intergovernmental Revenue;
- Tangible Personal Property fixed rate tax reimbursement revenue of \$1,948 received for recreation (H.P. Eells (Bettsville) Park) were improperly accounted for in the Classroom Facilities fund rather than in an Agency fund and disbursed to the Village for the park;
- Food service Intergovernmental Revenue and related expenses of \$7,591 were improperly accounted for in the Migrant fund rather than the Food Service fund;
- Food Service fund Intergovernmental Revenue of \$9,205 was improperly accounted for as a reduction of expenditure rather than as revenue.

The accompanying financial statements and accounting records have been adjusted to correct these errors. To ensure the District's financial statements and notes to the statements are complete and accurate, the Board should adopt policies and procedures, including a final review of the annual report by the Board and audit committee to identify and correct errors and misclassifications.

##### Officials' Response:

The Board will work closely with the Treasurer to ensure the year end financials are fairly stated.

#### FINDING NUMBER 2013-005

##### Noncompliance Citation

**Ohio Revised Code § 5705.41(B)** prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated in accordance with the Ohio Revised Code.

During fiscal year 2013, the General Fund had expenditures exceeding appropriations by \$598,398. The failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Treasurer should certify the availability of funds and deny payment requests exceeding appropriations. The Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

##### Officials' Response:

The Treasurer will not allow expenditures to exceed appropriations. The Treasurer will further as the Board of Education's permission via a resolution if an increase in appropriation levels are necessary.

**3. FINDINGS FOR FEDERAL AWARDS**

**Federal Reporting**

<b>Finding Number</b>	2013-006
<b>CFDA Title and Number</b>	All Federal Programs
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	U.S. Departments of Agriculture and Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation/Material Weakness**

**OMB Circular A-133 Section .310(b), Subpart C, Section .300(a)** provides that auditees shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

**2 CFR Section 176.210(b)** provides that for recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of part III on the SF-SAC by CFDA number, and inclusion of the prefix "ARRA-" in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC.

For the fiscal year ended 2013, the following errors were noted with the District's federal awards receipt and expenditure schedule:

- 2007 and 2008 special cost centers used rather than 2012 and 2013;
- Incorrect CFDA numbers;
- Omission of the Race to the Top Grant;
- No separate identification of ARRA funding.

The accompanying federal awards receipt and expenditure schedule has been adjusted to correct these errors.

Failure to properly report their federal receipts and expenditures lead to an understatement of federal receipts of \$69,960 and an understatement of federal expenditures of \$94,411. In addition, failure to properly report grants on the federal awards receipt and expenditure schedule can lead to inaccurate federal reporting and lack of a single audit when required.

To maintain compliance with OMB Circular A-133 and 2 CFR, the District should implement control procedures over preparation of the federal awards receipt and expenditure schedule, including verifying proper special cost centers are used, verifying correct CFDA numbers are used, listing all applicable grants, separately identifying ARRA funding, and agreeing receipts and expenditures reported to ledgers

and supporting documentation.

**Officials' Response:**

The District will implement internal controls to ensure federal funds are properly spent and fairly stated.

**BETTSVILLE LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-001	None	N/A	Jaime Pearson, Interim Treasurer
2013-002	Internal controls will be set, legal action may be taken.	Immediately	Jaime Pearson, Interim Treasurer
2013-003	Monthly financial reports will be provided to the Board.	Immediately	Jaime Pearson, Interim Treasurer
2013-004	Internal controls will be set.	Immediately	Jaime Pearson, Interim Treasurer
2013-005	Internal controls will be set to insure expenditures do not exceed appropriations and permission from the Board will be requested if an appropriation needs increased.	Immediately	Jaime Pearson, Interim Treasurer
2013-006	Internal controls will be implemented to ensure federal funds are fairly stated.	Immediately	Jaime Pearson, Interim Treasurer

**BETTSVILLE LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2012-01	Ohio Administrative Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	No	Not Corrected. Repeated in this report as finding 2013-001.
2012-02	Ohio Revised Code § 5705.41(B) for expenditures exceeding appropriations.	No	Not Corrected. Repeated in this report as finding 2013-005.
2013-03	Significant deficiency over the budgetary process.	Yes	
2013-04	Ohio Revised Code § 5705.39 for appropriations exceeding estimated resources	No	Partially Corrected. Repeated in the Management Letter.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Bettsville Local School District  
Seneca County  
118 Washington Street  
Bettsville, Ohio 44815

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on January 13, 2011 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

**Dave Yost**  
Auditor of State

March 25, 2014

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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  
APRIL 8, 2014**