

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

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002***

KAREN J. BOTZKO, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

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

We have reviewed the Independent Auditor's Report of the Bettsville Local School District, Seneca County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Bettsville Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

November 20, 2002

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

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Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the Bettsville Local School District, Ohio, as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Bettsville Local School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bettsville Local School District, Ohio, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2002 on our consideration of the Bettsville Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Trimble, Julian & Grube, Inc.
October 31, 2002

BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents.	\$ 190,520	\$ 110,593	\$ 158,972	\$ 621,395
Cash with fiscal agent	164,555	-	-	-
Receivables (net of allowances of uncollectibles):				
Taxes - current & delinquent	524,979	8,493	55,285	-
Accounts.	-	-	-	113,454
Accrued interest	3,521	-	-	-
Interfund loan receivable	4,687	-	-	-
Due from other governments	-	7,846	-	-
Materials and supplies inventory	9,226	803	-	-
Prepayments	13,575	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	51,455	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	\$ 962,518	\$ 127,735	\$ 214,257	\$ 734,849
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable.	\$ 19,806	\$ 10,079	\$ -	\$ 5,453
Contracts payable.	-	-	-	155,282
Accrued wages and benefits.	132,932	2,369	-	-
Compensated absences payable.	13,592	-	-	-
Pension obligation payable	27,045	1,236	-	-
Interfund loan payable	-	2,569	-	-
Deferred revenue	390,227	15,332	48,729	-
Due to other governments.	11,549	131	-	-
Due to students	-	-	-	-
General obligation bonds payable.	-	-	-	-
Capital lease obligation payable	-	-	-	-
Total liabilities.	595,151	31,716	48,729	160,735
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	78,183	29,209	-	10,776
Reserved for materials and supplies inventory	9,226	803	-	-
Reserved for prepayments.	13,575	-	-	-
Reserved for debt service	-	-	158,972	-
Reserved for tax revenue unavailable for appropriation.	52,425	1,007	6,556	-
Reserved for budget stabilization	9,214	-	-	-
Reserved for textbooks	14,044	-	-	-
Unreserved:				
Designated for budget stabilization	25,390	-	-	-
Undesignated	165,310	65,000	-	563,338
Total equity and other credits.	367,367	96,019	165,528	574,114
Total liabilities, equity and other credits.	\$ 962,518	\$ 127,735	\$ 214,257	\$ 734,849

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 3	\$ 23,630	\$ -	\$ -	\$ 1,105,113
-	-	-	-	164,555
-	-	-	-	588,757
-	-	-	-	113,454
-	-	-	-	3,521
-	-	-	-	4,687
-	-	-	-	7,846
3,529	-	-	-	13,558
91	-	-	-	13,666
-	-	-	-	51,455
108,524	-	6,837,712	-	6,946,236
-	-	-	165,528	165,528
-	-	-	587,466	587,466
<u>\$ 112,147</u>	<u>\$ 23,630</u>	<u>\$ 6,837,712</u>	<u>\$ 752,994</u>	<u>\$ 9,765,842</u>
\$ 381	\$ -	\$ -	\$ -	\$ 35,719
-	-	-	-	155,282
3,126	-	-	-	138,427
4,849	-	-	44,887	63,328
1,411	-	-	16,727	46,419
-	2,118	-	-	4,687
2,028	-	-	-	456,316
73	-	-	-	11,753
-	21,512	-	-	21,512
-	-	-	650,000	650,000
-	-	-	41,380	41,380
<u>11,868</u>	<u>23,630</u>	<u>-</u>	<u>752,994</u>	<u>1,624,823</u>
-	-	6,837,712	-	6,837,712
100,279	-	-	-	100,279
-	-	-	-	118,168
-	-	-	-	10,029
-	-	-	-	13,575
-	-	-	-	158,972
-	-	-	-	59,988
-	-	-	-	9,214
-	-	-	-	14,044
-	-	-	-	25,390
-	-	-	-	793,648
<u>100,279</u>	<u>-</u>	<u>6,837,712</u>	<u>-</u>	<u>8,141,019</u>
<u>\$ 112,147</u>	<u>\$ 23,630</u>	<u>\$ 6,837,712</u>	<u>\$ 752,994</u>	<u>\$ 9,765,842</u>

BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$ 617,906	\$ 8,777	\$ 53,501	\$ -	\$ 680,184
Tuition	179,427	-	-	-	179,427
Earnings on investments	54,566	179	-	36,572	91,317
Extracurricular	-	25,058	-	-	25,058
Other local revenues	26,590	21,145	-	188,808	236,543
Donations	-	60,000	-	-	60,000
Intergovernmental - State	1,131,578	35,337	6,123	1,178,267	2,351,305
Intergovernmental - Federal	-	112,671	-	-	112,671
Total revenues	2,010,067	263,167	59,624	1,403,647	3,736,505
Expenditures:					
Current:					
Instruction:					
Regular	921,611	185,153	-	37,476	1,144,240
Special	182,072	9,877	-	-	191,949
Support services:					
Pupil	82,227	19,726	-	-	101,953
Instructional staff	67,538	5,359	-	-	72,897
Board of Education	12,167	-	-	-	12,167
Administration	201,069	20,398	-	4,115	225,582
Fiscal	153,977	8,985	-	2,135	165,097
Operations and maintenance	242,522	2,620	-	1,394	246,536
Pupil transportation	141,737	13,250	-	-	154,987
Community services	-	10,386	-	-	10,386
Extracurricular activities	55,796	27,779	-	-	83,575
Capital outlay	45,127	-	-	-	45,127
Facilities acquisition and construction	-	-	-	3,909,657	3,909,657
Debt service:					
Principal retirement	3,747	-	70,000	-	73,747
Interest and fiscal charges	1,743	-	38,493	-	40,236
Total expenditures	2,111,333	303,533	108,493	3,954,777	6,478,136
Excess (deficiency) of revenues over (under) expenditures	(101,266)	(40,366)	(48,869)	(2,551,130)	(2,741,631)
Other financing sources (uses):					
Operating transfers in	-	7,379	-	182,054	189,433
Operating transfers out	(163,319)	-	-	(32,054)	(195,373)
Proceeds of capital lease transaction	45,127	-	-	-	45,127
Total other financing sources (uses)	(118,192)	7,379	-	150,000	39,187
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(219,458)	(32,987)	(48,869)	(2,401,130)	(2,702,444)
Fund balances, July 1	586,052	128,203	214,397	2,975,244	3,903,896
Increase in reserve for inventory	773	803	-	-	1,576
Fund balances, June 30	\$ 367,367	\$ 96,019	\$ 165,528	\$ 574,114	\$ 1,203,028

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 683,764	\$ 684,719	\$ 955	\$ 10,362	\$ 10,174	\$ (188)
Tuition	179,500	179,427	(73)	-	-	-
Earnings on investments	52,040	48,632	(3,408)	661	179	(482)
Extracurricular	-	-	-	25,540	25,058	(482)
Other local revenues	31,243	29,225	(2,018)	47,532	30,669	(16,863)
Donations	-	-	-	60,000	60,000	-
Intergovernmental - State	1,186,163	1,131,577	(54,586)	34,282	35,337	1,055
Intergovernmental - Federal	-	-	-	145,935	110,060	(35,875)
Total revenues	<u>2,132,710</u>	<u>2,073,580</u>	<u>(59,130)</u>	<u>324,312</u>	<u>271,477</u>	<u>(52,835)</u>
Expenditures:						
Current:						
Instruction:						
Regular	980,048	919,107	60,941	163,388	163,571	(183)
Special	198,914	194,334	4,580	45,572	45,572	-
Support services:						
Pupil	83,595	78,818	4,777	19,692	19,692	-
Instructional staff	64,969	65,966	(997)	3,235	3,235	-
Board of Education	22,230	12,053	10,177	-	-	-
Administration	218,342	203,732	14,610	19,920	19,920	-
Fiscal	147,222	146,619	603	8,906	8,923	(17)
Operations and maintenance	236,879	248,942	(12,063)	10,720	10,720	-
Pupil transportation	207,252	196,264	10,988	12,982	12,982	-
Central	1,000	-	1,000	-	-	-
Community services	-	-	-	19,761	19,761	-
Extracurricular activities	58,621	56,605	2,016	28,239	28,239	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>2,219,072</u>	<u>2,122,440</u>	<u>96,632</u>	<u>332,415</u>	<u>332,615</u>	<u>(200)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(86,362)</u>	<u>(48,860)</u>	<u>37,502</u>	<u>(8,103)</u>	<u>(61,138)</u>	<u>(53,035)</u>
Other financing sources (uses):						
Advances in	12,000	12,000	-	5,000	2,569	(2,431)
Advances out	(24,000)	(6,687)	17,313	(10,000)	(10,000)	-
Operating transfers in	-	-	-	8,000	7,379	(621)
Operating transfers out	(168,000)	(163,319)	4,681	-	-	-
Refund of prior year expenditure	2,000	2,000	-	-	-	-
Total other financing sources (uses)	<u>(178,000)</u>	<u>(156,006)</u>	<u>21,994</u>	<u>3,000</u>	<u>(52)</u>	<u>(3,052)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(264,362)</u>	<u>(204,866)</u>	<u>59,496</u>	<u>(5,103)</u>	<u>(61,190)</u>	<u>(56,087)</u>
Fund balances, July 1	265,097	265,097	-	129,398	129,398	-
Prior year encumbrances appropriated	86,332	86,332	-	3,097	3,097	-
Fund balances, June 30	<u>\$ 87,067</u>	<u>\$ 146,563</u>	<u>\$ 59,496</u>	<u>\$ 127,392</u>	<u>\$ 71,305</u>	<u>\$ (56,087)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 66,267	\$ 65,036	\$ (1,231)	\$ -	\$ -	\$ -	\$ 760,393	\$ 759,929	\$ (464)
-	-	-	-	-	-	179,500	179,427	(73)
-	-	-	39,388	36,572	(2,816)	92,089	85,383	(6,706)
-	-	-	-	-	-	25,540	25,058	(482)
-	-	-	249,769	135,797	(113,972)	328,544	195,691	(132,853)
-	-	-	-	-	-	60,000	60,000	-
5,500	6,123	623	1,178,516	1,178,267	(249)	2,404,461	2,351,304	(53,157)
-	-	-	-	-	-	145,935	110,060	(35,875)
<u>71,767</u>	<u>71,159</u>	<u>(608)</u>	<u>1,467,673</u>	<u>1,350,636</u>	<u>(117,037)</u>	<u>3,996,462</u>	<u>3,766,852</u>	<u>(229,610)</u>
-	-	-	41,196	41,196	-	1,184,632	1,123,874	60,758
-	-	-	-	-	-	244,486	239,906	4,580
-	-	-	-	-	-	103,287	98,510	4,777
-	-	-	-	-	-	68,204	69,201	(997)
-	-	-	-	-	-	22,230	12,053	10,177
-	-	-	4,115	4,115	-	242,377	227,767	14,610
-	-	-	2,135	2,135	-	158,263	157,677	586
-	-	-	1,394	1,394	-	248,993	261,056	(12,063)
-	-	-	-	-	-	220,234	209,246	10,988
-	-	-	-	-	-	1,000	-	1,000
-	-	-	7,056	7,056	-	26,817	26,817	-
-	-	-	-	-	-	86,860	84,844	2,016
-	-	-	4,312,697	4,312,697	-	4,312,697	4,312,697	-
70,000	70,000	-	-	-	-	70,000	70,000	-
38,585	38,711	(126)	-	-	-	38,585	38,711	(126)
<u>108,585</u>	<u>108,711</u>	<u>(126)</u>	<u>4,368,593</u>	<u>4,368,593</u>	<u>-</u>	<u>7,028,665</u>	<u>6,932,359</u>	<u>96,306</u>
<u>(36,818)</u>	<u>(37,552)</u>	<u>(734)</u>	<u>(2,900,920)</u>	<u>(3,017,957)</u>	<u>(117,037)</u>	<u>(3,032,203)</u>	<u>(3,165,507)</u>	<u>(133,304)</u>
-	-	-	160,000	160,000	-	177,000	174,569	(2,431)
-	-	-	(160,000)	(160,000)	-	(194,000)	(176,687)	17,313
-	-	-	332,054	332,054	-	340,054	339,433	(621)
-	-	-	(182,054)	(182,054)	-	(350,054)	(345,373)	4,681
-	-	-	-	-	-	2,000	2,000	-
-	-	-	150,000	150,000	-	(25,000)	(6,058)	18,942
(36,818)	(37,552)	(734)	(2,750,920)	(2,867,957)	(117,037)	(3,057,203)	(3,171,565)	(114,362)
196,524	196,524	-	3,197,065	3,197,065	-	3,788,084	3,788,084	-
-	-	-	276,058	276,058	-	365,487	365,487	-
<u>\$ 159,706</u>	<u>\$ 158,972</u>	<u>\$ (734)</u>	<u>\$ 722,203</u>	<u>\$ 605,166</u>	<u>\$ (117,037)</u>	<u>\$ 1,096,368</u>	<u>\$ 982,006</u>	<u>\$ (114,362)</u>

BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Sales/charges for services	\$ 59,584
 Total operating revenues	 <u>59,584</u>
Operating expenses:	
Personal services	48,501
Contract services	1,717
Materials and supplies	50,524
Depreciation	8,148
Other	<u>2,860</u>
 Total operating expenses	 <u>111,750</u>
Operating loss.	<u>(52,166)</u>
Nonoperating revenues:	
Operating grants	27,049
Federal commodities	10,345
Gain on sale of fixed assets.	<u>1,969</u>
 Total nonoperating revenues.	 <u>39,363</u>
Net loss before capital contributions and operating transfers.	 (12,803)
 Capital contributions.	 103,756
Operating transfers in.	<u>5,940</u>
 Net income	 96,893
Retained earnings, July 1.	<u>3,386</u>
Retained earnings, June 30.	<u>\$ 100,279</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BETTSVILLE LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from sales/service charges	\$ 59,584
Cash payments for personal services	(47,630)
Cash payments for contract services	(1,343)
Cash payments for materials and supplies	(40,846)
Cash payments for other expenses.	(2,860)
Net cash used in operating activities.	(33,095)
Cash flows from noncapital financing activities:	
Cash received from operating transfers	5,940
Cash received from operating grants	27,049
Net cash provided by noncapital financing activities	32,989
Net decrease in cash and cash equivalents.	(106)
Cash and cash equivalents at beginning of year	109
Cash and cash equivalents at end of year	\$ 3
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (52,166)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation.	8,148
Federal donated commodities.	10,345
Changes in assets and liabilities:	
Increase in materials and supplies inventory.	(723)
Increase in prepayments	(7)
Increase in accounts payable.	381
Increase in accrued wages and benefits	19
Increase in compensated absences payable	848
Increase in due to other governments.	73
Decrease in pension obligation payable	(69)
Increase in deferred revenue.	56
Net cash used in operating activities	\$ (33,095)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1841 through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Articles 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 District ranks as the 607th largest by enrollment among the 705 public and community school districts in the State, and 7th in Seneca County. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school located in one building. The District employs 12 non-certified and 23 certified employees to provide services to 316 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are as follows:

A. Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the general purpose financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units. The following organizations are described due to their relationship to the District.

PUBLIC ENTITY RISK POOLS

Seneca County Joint Insurance Trust (the "Association")

This organization is an insurance pool between the Seneca/Wyandot Educational Service Center, the Sandusky County Educational Service Center, and five local school districts: Tiffin, Old Fort, Bettsville, Seneca East and New Riegel. The Association was established pursuant to ORC Section 9.833 in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts and educational service centers. The North Central Ohio Educational Service Center acts as fiscal agent. Refer to Note 12 for further information on the association.

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program was established as an insurance purchasing pool. The Group Rating Program is governed by a three-member Board of Directors. The Executive Director of the Ohio School Boards Association, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Group Rating Program to cover the costs of administering the program. Refer to Note 12 for further information on this group rating plan.

**BETTSVILLE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATION

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of 41 public school districts 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. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. The District paid \$19,941 to NOECA in fiscal year 2002 for services. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities, which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The District maintains the following proprietary fund type:

Enterprise Fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items, which, in other fund types, would be subject to accrual for other fund types (See Note 3.B).

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2002, and which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2002 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Seneca County Budget Commission for tax rate determination.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2002.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting and disclosure of the encumbrances outstanding for governmental fund types at fiscal year-end and Note 13 discloses the encumbrances outstanding for the enterprise fund.

E. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2002, investments were limited to certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal 2002, interest revenue credited to the general fund amounted to \$54,566, which includes \$42,528 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

F. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at fiscal year-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepayments

Prepayments for governmental funds represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At fiscal year-end, because prepayment is not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than five years. The District changed its capitalization criteria during fiscal 2002 (see Note 9). No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture/equipment	15

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

J. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation, budget stabilization, and textbooks. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

Designated fund balance represents planned actions for monies set-a-side by the District for budget stabilization.

L. Interfund Transactions

Transactions between funds during the normal course of operations may occur. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2002.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2002.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

See Note 5 for an analysis of interfund transactions.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. The District has also received state monies that are restricted for school bus purchase. Fund balance reserves have been established. See Note 18 for details.

N. Estimates

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

O. Contributions of Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at year-end. There was \$103,756 in capital contributions received by the enterprise fund in 2002.

P. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2002 included the following fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
Management Information Systems	\$1,256
Ohio Reads	19
Title I	38
Other Grants	216
<u>Capital Projects Fund</u>	
Classroom Facilities	4,895

Each of these funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit balances in the Management Informations Systems, Ohio Reads, Title I and Other Grants special funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages and benefits attributable to the fiscal year. These deficits will be eliminated as revenues become available to cover these costs as they are incurred.

The deficit fund balance in the Classroom Facilities capital projects fund is caused by the application of GAAP, namely in the reporting of a liability for contracts payable. This deficit will be eliminated as revenues become available to cover these contracts as they are incurred.

B. Agency Fund

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

<u>ASSETS</u>	
Accounts receivable	\$ 713
<u>LIABILITIES</u>	
Accounts payable	2,647

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the 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 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 the Board of Education has identified as not required for use within the current two-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 deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Cash with Fiscal Agent: At June 30, 2002, the District had \$164,555 in cash held by the Ohio Mid-Eastern Regional Education Service Agency, which is included on the balance sheet as "Cash with Fiscal Agent". The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$999,340 and the bank balance, including non-negotiable certificates of deposit, was \$1,066,169. Of the bank balance:

1. \$141,832 was covered by federal depository insurance; and
2. \$924,337 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

The District had investments of \$157,228 in STAR Ohio at June 30, 2002. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,321,123	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(157,228)	157,228
Cash with fiscal agent	<u>(164,555)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 999,340</u>	<u>\$157,228</u>

**BETTSVILLE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 - INTERFUND TRANSACTIONS

- A. The following is a summarized breakdown of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$163,319
<u>Special Revenue Fund</u>		
Management Information System	7,379	-
<u>Capital Projects Funds</u>		
Permanent Improvement	-	32,054
Classroom Facilities	182,054	-
<u>Enterprise Fund</u>		
Food Service	<u>5,940</u>	<u>-</u>
Totals	<u>\$195,373</u>	<u>\$195,373</u>

- B. The following is a summarized breakdown of the District's interfund loans receivable and payable at June 30, 2002:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$4,687	\$ -
<u>Special Revenue Fund</u>		
Migrant Program	-	2,569
<u>Agency Fund</u>		
Student Managed Activity	<u>-</u>	<u>2,118</u>
Total	<u>\$4,687</u>	<u>\$4,687</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

**BETTSVILLE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2001 taxes were collected was \$19,908,052. Agricultural/residential and public utility/minerals real estate represented 62.72% or \$12,487,230 of this total; commercial and industrial real estate represented 16.23% or \$3,231,080 of this total; public utility tangible represented 6.74% or \$1,340,690 of this total and general tangible property represented 14.31% or \$2,849,052 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$32.00 per \$1,000.00 of assessed valuation for operations and \$3.50 per \$1,000.00 of assessed valuation for debt service.

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.

The Seneca County Treasurer collects property tax on behalf of the District. The Seneca County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$59,988 was available to the District as an advance at June 30, and is recognized as revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to fiscal year-end.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The voters of the District passed a 1% school district income tax at the November 3, 1998 election that became effective January 1, 1999. This tax is effective for five years. School district income tax revenue received by the general fund during fiscal year 2002 was \$206,151.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), interfund loans, intergovernmental grants and entitlements (to the extent eligibility requirements have been met). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$524,979
Accrued interest	3,521
Interfund loan	4,687
 <u>Special Revenue Funds</u>	
Taxes - current and delinquent	8,493
Due from other governments	7,846
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	55,285
 <u>Capital Projects Fund</u>	
Accounts	113,454

**BETTSVILLE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - FIXED ASSETS

General Fixed Assets

The general fixed assets account group has been restated as of July 1, 2001 due to a reappraisal and an increase in the capitalization threshold from \$500 to \$1,000 of the District's capital assets during fiscal year 2002.

<u>Asset Category</u>	<u>Balance June 30, 2001</u>	<u>Restatement</u>	<u>Restated Balance July 1, 2001</u>
Land/improvements	\$ 113,595	\$ 88,855	\$ 202,450
Buildings/improvements	2,508,263	(1,263,363)	1,244,900
Furniture/equipment	912,488	(629,236)	283,252
Vehicles	184,584	(63,164)	121,420
Construction in progress	<u>1,352,518</u>	<u>-</u>	<u>1,352,518</u>
Totals	<u>\$5,071,448</u>	<u>\$(1,866,908)</u>	<u>\$3,204,540</u>

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Restated Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Land/improvements	\$ 202,450	\$ -	\$ -	\$ 202,450
Buildings/improvements	1,244,900	4,827,609	-	6,072,509
Furniture/equipment	283,252	117,705	(1,014)	399,943
Vehicles	121,420	56,886	(15,496)	162,810
Construction in progress	<u>1,352,518</u>	<u>3,475,091</u>	<u>(4,827,609)</u>	<u>-</u>
Total	<u>\$3,204,540</u>	<u>\$8,477,291</u>	<u>\$(4,844,119)</u>	<u>\$6,837,712</u>

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture and equipment	\$125,756
Less: accumulated depreciation	<u>(17,232)</u>
Net fixed assets	<u>\$108,524</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In the current fiscal year, the District entered into a capitalized lease for the acquisition of a copier. 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 Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed asset account group in the amount of \$45,127, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2002 fiscal year totaled \$3,747. This amount is reflected as debt service principal retirement in the general fund. The capital lease has been accounted for as a capital outlay expenditure and other financing source.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2002.

General Long-Term Obligations

<u>Year Ending June 30</u>	<u>Copier</u>
2003	\$10,980
2004	10,980
2005	10,980
2006	10,980
2007	<u>5,490</u>
Total future minimum lease payments	49,410
Less: amount representing interest	<u>(8,030)</u>
Present value of future minimum lease payments	<u>\$41,380</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 11 - LONG-TERM OBLIGATIONS

- A.** During fiscal year 2001, the District issued \$610,000 in general obligation bonds to provide funds for the renovation of the old school building and the construction of the high school addition (hereafter "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 3.00 mill bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed.

In conjunction with the 3.0 mills which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance cost of the new facilities. Tax revenue from this levy has been reported in the special revenue funds.

Principal and interest payments on the current interest bonds are due on December 1, and interest only payment on June 1, of each year. The final maturity stated in the issue is December 1, 2023.

- B.** During fiscal year 1979, the District issued Building Facilities general obligation bonds to provide for building additions and improvements. These bonds bear an interest rate of 6.37% and mature on December 1, 2002. Payments of principal and interest relating to these bonds are recorded as expenditures of the debt service fund. The unmatured obligation at year-end is reported in the general long-term obligations account group.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. The following is a description of the District's bonds outstanding as of June 30, 2002:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Bonds Outstanding July 1, 2001</u>	<u>Bonds Issued in 2002</u>	<u>Bonds Retired in 2002</u>	<u>Bonds Outstanding June 30, 2002</u>
Building facilities bond	6.37%	12/01/02	\$ 110,000	\$ -	\$(55,000)	\$ 55,000
School improvement bond	3.52%	12/01/23	<u>610,000</u>	<u>-</u>	<u>(15,000)</u>	<u>595,000</u>
			<u>\$720,000</u>	<u>\$ -</u>	<u>\$(70,000)</u>	<u>\$650,000</u>

D. The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds:

<u>Year Ending</u>	<u>Principal on Bonds</u>	<u>Interest on Bonds</u>	<u>Total</u>
2003	\$ 70,000	\$ 32,632	\$ 102,632
2004	15,000	30,305	45,305
2005	20,000	29,613	49,613
2006	20,000	28,808	48,808
2007	20,000	27,993	47,993
2008 - 2012	105,000	127,155	232,155
2013 - 2017	135,000	97,965	232,965
2018 - 2022	180,000	52,651	232,651
2023 - 2024	<u>85,000</u>	<u>5,119</u>	<u>90,119</u>
Total	<u>\$650,000</u>	<u>\$432,241</u>	<u>\$1,082,241</u>

**BETTSVILLE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

E. During the year ended June 30, 2002, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligations will be paid from the fund in which the employee was paid.

	<u>Balance July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2002</u>
Compensated absences	\$ 44,760	\$ 127	\$ -	\$ 44,887
Pension obligation payable	16,257	16,727	(16,257)	16,727
General obligation bonds payable	720,000	-	(70,000)	650,000
Capital lease obligation	<u>-</u>	<u>45,127</u>	<u>(3,747)</u>	<u>41,380</u>
Total	<u>\$781,017</u>	<u>\$61,981</u>	<u>\$(90,004)</u>	<u>\$752,994</u>

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$1,307,253, (including available funds of \$165,528), and an unvoted debt margin of \$19,908.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Harcum-Hyre		
Each occurrence		\$ 1,000,000	\$ 0
Aggregate		3,000,000	0
Excess liability:	Harcum-Hyre		
Each occurrence		2,000,000	0
Aggregate		2,000,000	0
Building and contents	Indiana Insurance	5,434,357	1,000
Fleet:			
Combined liability	Auto Owners	1,000,000	0
Underinsured/uninsured motorist	Mutual Insurance	1,000,000	0
Collision		Carrying Value	1,000
Boiler and machinery	Cincinnati Insurance	500,000	500

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Health Insurance

The District joined together with other area school districts to form the Seneca Insurance Trust, a public entity risk pool for seven member school districts. The risk of loss transfers entirely to the pool. The pool is self-sustaining through member premiums. The District paid a monthly premium to the pool for health insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$50,000 for any employee.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool (Note 2.A). The Group Rating Program'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 Ohio School Boards Association. The Executive Director of the Ohio School Boards Association, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Group Rating Program to cover the costs of administering the program.

The intent of the Group Rating Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Group Rating Program. 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 Group Rating Program. Each participant pays its workers' compensation premium to the State based on the rate for the Group Rating Program 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 Group Rating Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Group Rating Program. Participation in the Group Rating Program is limited to school districts that can meet the Group Rating Program's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Group Rating Program.

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUND

The District maintains one enterprise fund, which provides lunchroom/cafeteria services. Therefore, segment information for the year ended June 30, 2002, is not presented in these notes. The enterprise fund had encumbrances of \$440 outstanding at June 30, 2002.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2002; 5.46 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$43,881, \$36,857, and \$33,467, respectively; 48.72 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$22,500, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$125,943, \$123,677, and \$122,457, respectively; 83.58 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$20,684, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by State statute. Both STRS and SERS are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$40,482 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

**BETTSVILLE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$30,151 during the 2002 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**BETTSVILLE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

	Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses			
		<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(204,866)	\$(61,190)	\$(37,552)	\$(2,867,957)
Net adjustment for revenue accruals	(63,513)	(8,310)	(11,535)	53,011
Net adjustment for expenditure accruals	(84,305)	(10,206)	218	397,587
Net adjustment for other financing sources/(uses)	37,814	7,431	-	-
Encumbrances (budget basis)	<u>95,412</u>	<u>39,288</u>	<u>-</u>	<u>16,229</u>
GAAP basis	<u>\$(219,458)</u>	<u>\$(32,987)</u>	<u>\$(48,869)</u>	<u>\$(2,401,130)</u>

**BETTSVILLE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

B. Litigation

The District is involved in no litigation as either plaintiff or defendant.

C. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 17 - CONTINGENCIES - (Continued)

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 18 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	
			<u>Reserved</u>	<u>Designated</u>
Set-aside cash balance/carry forward				
as of June 30, 2001	\$ 10,287	\$(572,863)	\$9,214	\$25,390
Current year set-aside requirement	38,898	38,898	-	-
Qualifying disbursements	<u>(35,141)</u>	<u>(36,382)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,044</u>	<u>\$(570,347)</u>	<u>\$9,214</u>	<u>\$25,390</u>
Cash balance/carry forward to FY 2003	<u>\$ 14,044</u>	<u>\$(570,347)</u>	<u>\$9,214</u>	<u>\$25,390</u>

The District issued \$610,000 in bonds in fiscal year 2001 to provide for the renovation of the old school building and construction of the high school addition. This amount is an allowable offset to future years for the capital improvement and maintenance set-aside. Thus, the balance at June 30, 2001 has been restated to reflect this offset. The negative amount is therefore presented as being carried forward to the next fiscal year.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases. The amount of \$28,197 for school bus reserves is include in Reserve for Encumbrances in the general fund on the Combined Balance Sheet at June 30, 2002.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 18 - STATUTORY RESERVES - (Continued)

A schedule of the restricted assets at June 30, 2002 follows:

Amount restricted for textbooks	\$14,044
Amount restricted for bus purchase allowance	28,197
Amount restricted for budget stabilization	<u>9,214</u>
 Total restricted assets	 <u><u>\$51,455</u></u>

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2002, the District had the following contractual commitments outstanding related to renovations to the old school building. A summary of the primary contractual commitments is as follows.

	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment at June 30, 2002</u>
Grinnell Fire Protection	\$ 103,500	\$ 102,300	\$ 1,200
Jack Bucher	1,792,365	1,715,110	77,255
Keen & Cross	67,255	54,415	12,840
Marlin White Plumbing	322,351	306,414	15,937
Warner Mechanical	<u>1,085,240</u>	<u>1,037,190</u>	<u>48,050</u>
 Totals	 <u><u>\$3,370,711</u></u>	 <u><u>\$3,215,429</u></u>	 <u><u>\$155,282</u></u>

NOTE 20 - SIGNIFICANT SUBSEQUENT EVENT

Superintendent Jane Garling resigned on June 30, 2002. Randy Pawlowski was hired as Superintendent effective August 1, 2002.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the general purpose financial statements of Bettsville Local School District as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated October 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bettsville Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted other immaterial instances of noncompliance that we have reported to the management of Bettsville Local School District in a separate letter dated October 31, 2002.

Board of Education
Bettsville Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bettsville Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of Bettsville Local School District in a separate letter dated October 31, 2002.

This report is intended for the information and use of the management and Board of Education of Bettsville Local School District, Seneca County, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
October 31, 2002

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

**JUNE 30, 2002
SCHEDULE OF PRIOR AUDIT FINDINGS**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-BLSD-001	5705.39 prohibiting a subdivision from having appropriations in excess of estimated resources.	Yes	Finding No Longer Valid.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
DECEMBER 5, 2002**