

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

***BASIC FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006***

**KAREN BOTZKO, TREASURER**

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Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bettsville Local School District, Seneca County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 10, 2007

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**BETTSVILLE LOCAL SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bettsville Local School District (the "District"), Ohio, as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bettsville Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bettsville Local School District, Ohio, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the General fund and the Migrant fund 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 December 7, 2006 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report  
Bettsville Local School District  
Page Two

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 7, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The management's discussion and analysis of the Bettsville Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities decreased \$54,016 which represents a 0.87% decrease from 2005.
- General revenues accounted for \$2,207,952 in revenue or 75.69% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$709,015 or 24.31% of total revenues of \$2,916,967.
- The District had \$2,970,983 in expenses related to governmental activities; \$709,015 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$2,207,952 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, the permanent improvement fund, and the migrant fund. The general fund had \$2,269,213 in revenues and other financing sources and \$2,296,743 in expenditures and other financing uses. During fiscal year 2006, the general fund's fund balance decreased \$27,530 from \$441,990 to \$414,460.
- The permanent improvement fund had \$1,168 in revenues and \$36,617 in expenditures. During fiscal year 2006, the permanent improvement fund balance decreased \$35,449 from \$660,126 to \$624,677.
- The migrant fund had \$175,248 in revenues and \$223,744 in expenditures. During fiscal year 2006, the migrant fund balance decreased \$48,496 from \$138,603 to \$90,107.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, permanent improvement fund and migrant fund are by far the most significant funds, and the only governmental funds reported as major funds.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

*Fund Financial Statements*

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, permanent improvement fund and migrant fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-20 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

***Fiduciary Funds***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Assets on page 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-45 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. The following table is a comparative analysis of fiscal 2006 balances compared to 2005:

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 2,299,096	\$ 2,203,084
Capital assets, net	<u>5,263,984</u>	<u>5,358,668</u>
Total assets	<u>7,563,080</u>	<u>7,561,752</u>
<b><u>Liabilities</u></b>		
Current liabilities	777,398	720,180
Long-term liabilities	<u>650,618</u>	<u>652,492</u>
Total liabilities	<u>1,428,016</u>	<u>1,372,672</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	4,685,407	4,798,196
Restricted	1,044,064	1,043,624
Unrestricted	<u>405,593</u>	<u>347,260</u>
Total net assets	<u>\$ 6,135,064</u>	<u>\$ 6,189,080</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$6,135,064. Of this total, \$405,593 is unrestricted in use.

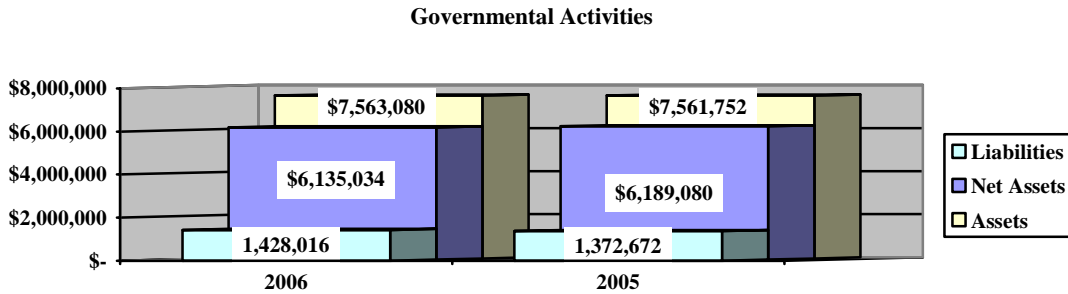
At year-end, capital assets represented 69.60% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$4,685,407. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

A portion of the District's net assets, \$1,044,064, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$405,593 may be used to meet the District's ongoing obligations to the students and creditors.

The table below illustrates the District's assets, liabilities and net assets at June 30, 2006 and 2005.



The table below shows the change in net assets for fiscal year 2006 and 2005.

**Change in Net Assets**

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 297,737	\$ 327,676
Operating grants and contributions	411,278	524,263
General revenues:		
Property taxes	657,686	683,612
School district income tax	185,889	-
Grants and entitlements	1,166,244	1,136,227
Investment earnings	47,703	34,070
Miscellaneous	<u>150,430</u>	<u>152,582</u>
Total revenues	<u>2,916,967</u>	<u>2,858,430</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Change in Net Assets**

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 1,269,075	\$ 1,278,302
Special	482,525	445,453
Support services:		
Pupil	102,255	88,607
Instructional staff	49,798	52,911
Board of education	12,858	9,292
Administration	257,924	251,445
Fiscal	138,732	167,606
Business	2,122	2,143
Operations and maintenance	258,991	256,755
Pupil transportation	142,958	196,531
Food service operations	99,748	111,951
Other non-instructional services	12,475	14,412
Extracurricular activities	108,196	117,403
Interest and fiscal charges	<u>33,326</u>	<u>32,665</u>
Total expenses	<u>2,970,983</u>	<u>3,025,476</u>
Change in net assets	(54,016)	(167,046)
Net assets at beginning of year	<u>6,189,080</u>	<u>6,356,126</u>
Net assets at end of year	<u><u>\$ 6,135,064</u></u>	<u><u>\$ 6,189,080</u></u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$54,016. Total governmental expenses of \$2,970,983 were offset by program revenues of \$709,015 and general revenues of \$2,207,952. Program revenues supported 23.86% of the total governmental expenses.

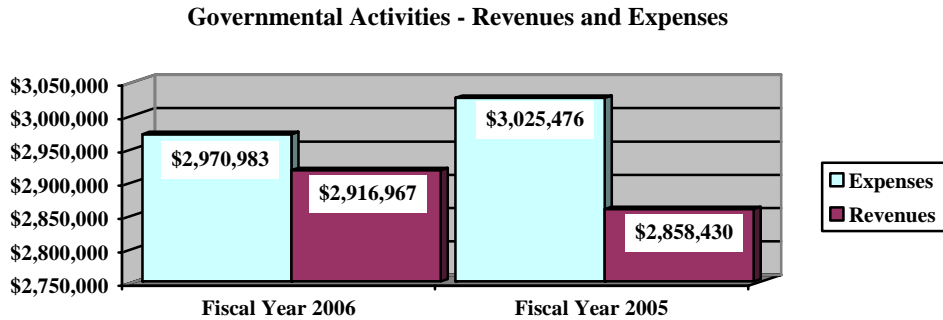
The primary sources of general revenues for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 68.90% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$1,751,600 or 58.96% of total governmental expenses for fiscal year 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2005 have also been presented.

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 1,269,075	\$ 1,022,015	\$ 1,278,302	\$ 918,643
Special	482,525	205,213	445,453	156,524
Support services:				
Pupil	102,255	102,143	88,607	88,545
Instructional staff	49,798	47,528	52,911	50,735
Board of education	12,858	12,858	9,292	9,292
Administration	257,924	246,169	251,445	239,480
Fiscal	138,732	132,563	167,606	160,440
Business	2,122	2,122	2,143	2,143
Operations and maintenance	258,991	235,260	256,755	223,270
Pupil transportation	142,958	125,147	196,531	178,041
Food service operations	99,748	12,189	111,951	21,285
Other non-instructional services	12,475	2,524	14,412	2,621
Extracurricular activities	108,196	82,911	117,403	89,853
Interest and fiscal charges	33,326	33,326	32,665	32,665
<b>Total expenses</b>	<u>\$ 2,970,983</u>	<u>\$ 2,261,968</u>	<u>\$ 3,025,476</u>	<u>\$ 2,173,537</u>

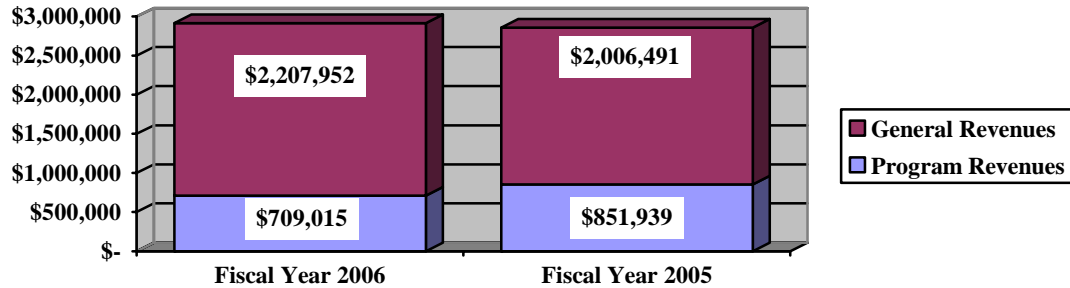
The dependence upon tax and other general revenues for governmental activities is apparent, 70.06% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.14%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,271,357 which is lower than last year's total of \$1,391,567. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	<u>Fund Balance June 30, 2006</u>	<u>Fund Balance June 30, 2005</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$ 414,460	\$ 441,990	\$ (27,530)	(6.23) %
Permanent Improvement	624,677	660,126	(35,449)	(5.37) %
Migrant	90,107	138,603	(48,496)	(34.99) %
Other Governmental	<u>142,113</u>	<u>150,848</u>	<u>(8,735)</u>	(5.79) %
Total	<u>\$ 1,271,357</u>	<u>\$ 1,391,567</u>	<u>\$ (120,210)</u>	(8.64) %

**General Fund**

The District's general fund, fund balance decreased \$27,530. Expenditures exceeded revenues for fiscal year 2006 by \$33,148. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	2006 <u>Amount</u>	2005 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 639,203	\$ 606,271	\$ 32,932	5.43 %
Tuition	199,857	210,842	(10,985)	(5.21) %
Earnings on investments	46,314	32,831	13,483	41.07 %
Intergovernmental	1,155,937	1,128,810	27,127	2.40 %
Other revenues	<u>173,672</u>	<u>185,948</u>	<u>(12,276)</u>	(6.60) %
 Total	 <u>\$ 2,214,983</u>	 <u>\$ 2,164,702</u>	 <u>\$ 50,281</u>	 2.32 %
<b><u>Expenditures</u></b>				
Instruction	\$ 1,265,027	\$ 1,164,017	\$ 101,010	8.68 %
Support services	847,488	958,807	(111,319)	(11.61) %
Extracurricular activities	62,006	69,107	(7,101)	(10.28) %
Capital outlay	54,230	-	54,230	100.00 %
Debt service	<u>19,380</u>	<u>10,980</u>	<u>8,400</u>	76.50 %
 Total	 <u>\$ 2,248,131</u>	 <u>\$ 2,202,911</u>	 <u>\$ 45,220</u>	 2.05 %

***Permanent Improvement Fund***

Another of the District's major governmental funds is the permanent improvement fund. The permanent improvement fund had \$1,168 in revenues and \$36,617 in expenditures. During fiscal year 2006, the permanent improvement fund's fund balance decreased \$35,449 from \$660,126 to \$624,677.

***Migrant Fund***

Another of the District's major government funds is the migrant fund. The migrant fund had \$175,248 in revenues and \$223,744 in expenditures. During fiscal year 2006, the fund balance decreased \$48,496 from \$138,603 to \$90,107.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$2,135,810 and final budgeted revenues and other financing sources were \$2,270,454. Actual revenues and other financing sources for fiscal year 2006 was \$2,264,747. This represents a \$128,937 increase over original budgeted revenues.

General fund original appropriations and other financing uses were \$2,342,891 and final appropriations and other financing uses totaled \$2,342,027. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$2,309,118, which is lower than the final budget appropriations by \$32,909.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2006, the District had \$5,263,984 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2006 balances compared to 2005:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2006	2005
Land	\$ 84,650	\$ 84,650
Land improvements	90,717	77,186
Building and improvements	4,799,532	4,929,520
Furniture and equipment	187,738	142,826
Vehicles	101,347	124,486
 Total	 \$ 5,263,984	 \$ 5,358,668

The overall decrease in capital assets of \$94,684 is due to depreciation expense of \$186,518 exceeding capital outlay of \$91,834 in the fiscal year. The increase in capital outlay is a result of acquisition of miscellaneous equipment and a land improvement.

See Note 9 to the basic financial statements for additional information.

*Debt Administration*

At June 30, 2006, the District had \$53,577 in capital leases and \$525,000 in general obligation bonds outstanding. Of this total, \$34,435 is due within one year and \$544,142 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2006	2005
Capital lease	\$ 53,577	\$ 15,472
General obligation bond	525,000	545,000
 Total	 \$ 578,577	 \$ 560,472

At June 30, 2006, the District's overall legal debt margin was \$1,550,507, and an unvoted debt margin of \$21,709.

See Note 11 to the basic financial statements for additional information.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Current Financial Related Activities**

The District faces many challenges in the future. The District is a very small district with currently 225 students housed in one K-12 building.

Decreasing enrollment is a major concern. We graduated a class of 28 kids May, 2006, and 17 students will be entering the current kindergarten class. A new village sewage plant was completed last summer and we were hoping for new houses to be built and/or new families with children to move into the District. This has not happened. The birthrate in Seneca County is also decreasing.

The decreased enrollment affects our state funding and the District leans heavily on state funding. Local valuation is very low and one mill generates about \$21,708. The District taxpayers have approved a 1% school income tax for the third time, so that helps keep us stay alive. We also have many unfunded mandates.

We rely on grants/Title funds and tax abatements to keep us alive. We have a summer Migrant program that runs from the end of July to mid August. Many of our staff members are employed for that time period as teachers, bus drivers, cooks, custodians and administration. Students are employed as teacher aides. We also have a Migrant/Image program where teachers/tutors in the state go out to the Migrant camps and tutor students. Both of these programs generate revenue for the District. We currently have three tax abatements that pay a donation directly to the school, but these tax abatement dollars are decreasing as the payment for personal property decreases.

We approved a two year teacher agreement in the summer of 2006 which gives the staff a 2% raise for fiscal year 2007 and a 2% raise for fiscal year 2008. A new medical (PPO) insurance was approved in 2004. This has saved the District money and being a member of the North Central Ohio Trust (NCOT) has kept the premium more level. We have not had a health insurance premium increase for several years.

The five-year forecast shows that we will survive fiscal years 2007 and 2008 with the help of some local monies, but after that we don't know what will happen. We could have a levy on the ballot or consider consolidation. We have a small amount of personal property tax, but the reduction of personal property taxes will hurt the District.

The Board and Administration are looking at ways to increase revenue and decrease expense. Survival is our greatest concern, plus a good education for our students.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mrs. Karen Botzko, Treasurer, Bettsville Local School District, 118 Washington Street, P.O. Box 6, Bettsville, Ohio 44815-0006.

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 1,172,639
Cash with fiscal agents . . . . .	175,889
Receivables:	
Taxes . . . . .	739,077
Accounts . . . . .	45
Accrued interest . . . . .	4,536
Due from other governments. . . . .	161,415
Prepayments . . . . .	22,194
Materials and supplies inventory . . . . .	23,301
Capital assets:	
Land . . . . .	84,650
Depreciable capital assets, net . . . . .	5,179,334
Capital assets, net. . . . .	<u>5,263,984</u>
 Total assets. . . . .	 <u>7,563,080</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	1,971
Accrued wages and benefits . . . . .	161,770
Pension obligation payable. . . . .	58,728
Due to other governments . . . . .	50,362
Deferred revenue . . . . .	502,221
Accrued interest payable . . . . .	2,346
Long-term liabilities:	
Due within one year. . . . .	52,346
Due within more than one year . . . . .	598,272
Total liabilities . . . . .	<u>1,428,016</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	4,685,407
Restricted for:	
Capital projects . . . . .	626,981
Debt service. . . . .	132,585
State funded programs . . . . .	2,005
Federally funded programs . . . . .	203,420
Student activities. . . . .	5,348
Public school support . . . . .	605
Classroom facilities maintenance. . . . .	14,407
Other purposes . . . . .	58,713
Unrestricted. . . . .	<u>405,593</u>
Total net assets . . . . .	<u><u>\$ 6,135,064</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 1,269,075	\$ 206,574	\$ 40,486	\$ (1,022,015)
Special . . . . .	482,525	278	277,034	(205,213)
Support services:				
Pupil . . . . .	102,255	-	112	(102,143)
Instructional staff . . . . .	49,798	-	2,270	(47,528)
Board of education . . . . .	12,858	-	-	(12,858)
Administration . . . . .	257,924	21	11,734	(246,169)
Fiscal . . . . .	138,732	11	6,158	(132,563)
Business . . . . .	2,122	-	-	(2,122)
Operations and maintenance . . . . .	258,991	20,951	2,780	(235,260)
Pupil transportation . . . . .	142,958	32	17,779	(125,147)
Operation of non-instructional services:				
Food service operations . . . . .	99,748	44,567	42,992	(12,189)
Other non-instructional services . . . . .	12,475	18	9,933	(2,524)
Extracurricular activities . . . . .	108,196	25,285	-	(82,911)
Interest and fiscal charges . . . . .	33,326	-	-	(33,326)
<b>Total governmental activities . . . . .</b>	<b>\$ 2,970,983</b>	<b>\$ 297,737</b>	<b>\$ 411,278</b>	<b>(2,261,968)</b>

**General Revenues:**

Property taxes levied for:

General purposes . . . . .	575,278
Special revenue . . . . .	11,431
Debt service . . . . .	70,977
School district income tax . . . . .	185,889
Grants and entitlements not restricted to specific programs . . . . .	1,166,244
Investment earnings . . . . .	47,703
Miscellaneous . . . . .	150,430
<b>Total general revenues . . . . .</b>	<b>2,207,952</b>

Change in net assets . . . . . (54,016)

**Net assets at beginning of year . . . . .** 6,189,080

**Net assets at end of year . . . . .** \$ 6,135,064

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>General</u>	<u>Permanent Improvement</u>	<u>Migrant</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 312,701	\$ 624,677	\$ 32,131	\$ 166,924	\$ 1,136,433
Cash with fiscal agents . . . . .	175,611	-	-	278	175,889
Receivables:					
Taxes . . . . .	658,557	-	-	80,520	739,077
Accounts . . . . .	45	-	-	-	45
Accrued interest . . . . .	4,536	-	-	-	4,536
Interfund receivable . . . . .	10,007	-	-	-	10,007
Due from other governments . . . . .	-	-	161,415	-	161,415
Prepayments . . . . .	22,130	-	-	64	22,194
Materials and supplies inventory . . . . .	19,329	-	-	3,972	23,301
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	36,206	-	-	-	36,206
<b>Total assets . . . . .</b>	<b><u>\$ 1,239,122</u></b>	<b><u>\$ 624,677</u></b>	<b><u>\$ 193,546</u></b>	<b><u>\$ 251,758</u></b>	<b><u>\$ 2,309,103</u></b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 1,646	\$ -	\$ 191	\$ 134	\$ 1,971
Accrued wages and benefits . . . . .	138,917	-	9,946	12,907	161,770
Pension obligation payable . . . . .	46,764	-	7,797	4,167	58,728
Due to other governments . . . . .	45,194	-	55	5,113	50,362
Interfund payable . . . . .	-	-	-	10,007	10,007
Deferred revenue . . . . .	592,141	-	85,450	77,317	754,908
<b>Total liabilities . . . . .</b>	<b><u>824,662</u></b>	<b><u>-</u></b>	<b><u>103,439</u></b>	<b><u>109,645</u></b>	<b><u>1,037,746</u></b>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	27,883	5,000	1,005	6,537	40,425
Reserved for materials and supplies inventory . . . . .	19,329	-	-	3,972	23,301
Reserved for prepayments . . . . .	22,130	-	-	64	22,194
Reserved for debt service . . . . .	-	-	-	114,931	114,931
Reserved for property tax unavailable for appropriation . . . . .	23,638	-	-	3,203	26,841
Reserved for bus purchase allowance . . . . .	26,992	-	-	-	26,992
Reserved for budget stabilization . . . . .	9,214	-	-	-	9,214
Unreserved:					
Designation for budget stabilization . . . . .	25,390	-	-	-	25,390
Undesignated, reported in:					
General fund . . . . .	259,884	-	-	-	259,884
Special revenue funds . . . . .	-	-	89,102	13,080	102,182
Capital projects funds . . . . .	-	619,677	-	326	620,003
<b>Total fund balances . . . . .</b>	<b><u>414,460</u></b>	<b><u>624,677</u></b>	<b><u>90,107</u></b>	<b><u>142,113</u></b>	<b><u>1,271,357</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 1,239,122</u></b>	<b><u>\$ 624,677</u></b>	<b><u>\$ 193,546</u></b>	<b><u>\$ 251,758</u></b>	<b><u>\$ 2,309,103</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

<b>Total governmental fund balances</b>		\$ 1,271,357
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,263,984
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 166,609	
Intergovernmental revenue	85,450	
Accrued interest	628	
Total		252,687
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(72,041)	
Capital lease payable	(53,577)	
General obligation bonds payable	(525,000)	
Accrued interest payable	(2,346)	
Total		(652,964)
<b>Net assets of governmental activities</b>		<b>\$ 6,135,064</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Permanent Improvement</u>	<u>Migrant</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 639,203	\$ -	\$ -	\$ 66,247	\$ 705,450
Tuition. . . . .	199,857	-	-	-	199,857
Charges for services. . . . .	-	-	365	44,567	44,932
Earnings on investments. . . . .	46,314	1,168	-	16	47,498
Extracurricular. . . . .	-	-	-	25,285	25,285
Classroom materials and fees . . . . .	6,717	-	-	-	6,717
Other local revenues. . . . .	166,955	-	-	4,601	171,556
Intergovernmental -Intermediate. . . . .	-	-	12,374	-	12,374
Intergovernmental - State. . . . .	1,155,937	-	-	35,579	1,191,516
Intergovernmental - Federal . . . . .	-	-	162,509	184,562	347,071
Total revenue . . . . .	<u>2,214,983</u>	<u>1,168</u>	<u>175,248</u>	<u>360,857</u>	<u>2,752,256</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	1,093,740	13,930	-	89,091	1,196,761
Special. . . . .	171,287	-	170,341	123,681	465,309
Support services:					
Pupil. . . . .	99,711	-	-	113	99,824
Instructional staff . . . . .	34,579	-	-	2,287	36,866
Board of education . . . . .	12,858	-	-	-	12,858
Administration. . . . .	241,437	-	12,834	1,050	255,321
Fiscal . . . . .	130,771	-	6,846	223	137,840
Operations and maintenance. . . . .	237,143	22,687	3,091	29,947	292,868
Pupil transportation . . . . .	90,989	-	19,590	4,039	114,618
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	87,051	87,051
Other non-instructional services. . . . .	-	-	11,042	1,433	12,475
Extracurricular activities. . . . .	62,006	-	-	29,132	91,138
Capital outlay. . . . .	54,230	-	-	-	54,230
Debt service:					
Principal retirement . . . . .	16,125	-	-	20,000	36,125
Interest and fiscal charges . . . . .	3,255	-	-	30,157	33,412
Total expenditures . . . . .	<u>2,248,131</u>	<u>36,617</u>	<u>223,744</u>	<u>418,204</u>	<u>2,926,696</u>
Excess of revenues over (under) expenditures. . . . .	<u>(33,148)</u>	<u>(35,449)</u>	<u>(48,496)</u>	<u>(57,347)</u>	<u>(174,440)</u>
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	-	-	48,612	48,612
Transfers (out). . . . .	(48,612)	-	-	-	(48,612)
Capital lease transaction. . . . .	54,230	-	-	-	54,230
Total other financing sources (uses) . . . . .	<u>5,618</u>	<u>-</u>	<u>-</u>	<u>48,612</u>	<u>54,230</u>
Net change in fund balances . . . . .	<u>(27,530)</u>	<u>(35,449)</u>	<u>(48,496)</u>	<u>(8,735)</u>	<u>(120,210)</u>
<b>Fund balances at beginning of year . . . .</b>	<u>441,990</u>	<u>660,126</u>	<u>138,603</u>	<u>150,848</u>	<u>1,391,567</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 414,460</u>	<u>\$ 624,677</u>	<u>\$ 90,107</u>	<u>\$ 142,113</u>	<u>\$ 1,271,357</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Net change in fund balances - total governmental funds** \$ (120,210)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	91,834	
Current year depreciation	<u>(186,518)</u>	
Total		(94,684)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	164,711
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Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.	36,125
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Proceeds of the capital lease transaction are recorded as an other financing source in the funds, however, in the statement of activities they are not reported as revenue as they increase liabilities on the statement of net assets.	(54,230)
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Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.	86
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Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>14,186</u>
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**Change in net assets of governmental activities** \$ (54,016)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 661,827	\$ 703,571	\$ 701,802	\$ (1,769)
Tuition. . . . .	188,473	200,361	199,857	(504)
Earnings on investments. . . . .	38,008	40,406	40,304	(102)
Classroom materials and fees . . . . .	6,424	6,829	6,812	(17)
Other local revenue . . . . .	149,883	159,337	158,936	(401)
Intergovernmental - State . . . . .	1,090,096	1,158,851	1,155,937	(2,914)
Total revenue . . . . .	<u>2,134,711</u>	<u>2,269,355</u>	<u>2,263,648</u>	<u>(5,707)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	1,121,514	1,121,089	1,109,099	11,990
Special. . . . .	168,088	168,024	171,858	(3,834)
Support services:				
Pupil. . . . .	102,633	102,594	96,817	5,777
Instructional staff . . . . .	36,460	36,446	30,819	5,627
Board of education . . . . .	13,434	13,429	13,421	8
Administration. . . . .	249,670	249,576	248,273	1,303
Fiscal . . . . .	146,221	146,166	143,439	2,727
Operations and maintenance. . . . .	266,687	266,586	268,640	(2,054)
Pupil transportation . . . . .	114,019	113,976	106,169	7,807
Extracurricular activities. . . . .	64,155	64,131	61,964	2,167
Total expenditures . . . . .	<u>2,282,881</u>	<u>2,282,017</u>	<u>2,250,499</u>	<u>31,518</u>
Excess of revenues over (under) expenditures. . . . .	<u>(148,170)</u>	<u>(12,662)</u>	<u>13,149</u>	<u>25,811</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	390	390	390	-
Transfers (out) . . . . .	(50,000)	(50,000)	(48,612)	1,388
Advances in. . . . .	709	709	709	-
Advances (out) . . . . .	(10,010)	(10,010)	(10,007)	3
Total other financing sources (uses) . . . . .	<u>(58,911)</u>	<u>(58,911)</u>	<u>(57,520)</u>	<u>1,391</u>
Net change in fund balance . . . . .	(207,081)	(71,573)	(44,371)	27,202
<b>Fund balance at beginning of year. . . . .</b>	<b>347,872</b>	<b>347,872</b>	<b>347,872</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>15,961</b>	<b>15,961</b>	<b>15,961</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<u><b>\$ 156,752</b></u>	<u><b>\$ 292,260</b></u>	<u><b>\$ 319,462</b></u>	<u><b>\$ 27,202</b></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
MIGRANT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Charges for services . . . . .	\$ -	\$ -	\$ 365	\$ 365
Intergovernmental - Intermediate . . . . .	9,049	12,374	12,374	-
Intergovernmental - Federal . . . . .	290,191	396,839	207,475	(189,364)
<b>Total revenue . . . . .</b>	<u>299,240</u>	<u>409,213</u>	<u>220,214</u>	<u>(188,999)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special . . . . .	229,405	308,809	175,380	133,429
Support services:				
Administration . . . . .	18,634	25,084	10,224	14,860
Fiscal . . . . .	15,484	20,844	6,846	13,998
Operations and maintenance . . . . .	4,280	5,761	3,091	2,670
Pupil transportation . . . . .	31,958	43,019	19,590	23,429
Operation of non-instructional services . . . . .	10,050	13,528	11,042	2,486
<b>Total expenditures . . . . .</b>	<u>309,811</u>	<u>417,045</u>	<u>226,173</u>	<u>190,872</u>
Net change in fund balance . . . . .	(10,571)	(7,832)	(5,959)	1,873
<b>Fund balance at beginning of year . . . . .</b>	25,619	25,619	25,619	-
<b>Prior year encumbrances appropriated . . . . .</b>	11,275	11,275	11,275	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 26,323</u>	<u>\$ 29,062</u>	<u>\$ 30,935</u>	<u>\$ 1,873</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 26,273
Total assets. . . . .	\$ 26,273
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 924
Due to students . . . . .	25,349
Total liabilities . . . . .	\$ 26,273

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**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 609<sup>th</sup> largest by enrollment among the 615 public school districts in the state and 7<sup>th</sup> in Seneca County. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school located in one building. The District employs 11 non-certified and 23 certified employees to provide services to 228 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements 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's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". When applying GASB Statement No. 14, as amended by GASB Statement No. 39, management has considered all potential component units. 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or (4) 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 debt, the issuance of debt, or the levying of taxes. Based upon the application of this criteria, the District has no component units. The financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*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 program.

*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 \$22,082 to NOECA in fiscal year 2006 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 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. 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. The District does not have proprietary funds.

*GOVERNMENTAL FUNDS*

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*General Fund* - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Migrant Fund* - The Migrant fund is used to account for instructional programs of children of migratory agricultural workers.

*Permanent Improvement Fund* - The Permanent Improvement capital projects fund is used to account for all transactions related to acquiring, constructing, or improving capital facilities.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs; (c) for grants and other resources whose use is restricted to a particular purpose.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into three classifications: investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Fiduciary funds also use the accrual basis of accounting.

*Revenues - Exchange and Non-exchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.



**BETTSVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2006 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. The Seneca County Commissioners waived this requirement for fiscal year 2006.
3. Prior to March 15, 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 statements reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2006.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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. All funds completed the year within the amount of their legally authorized cash basis appropriation.
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 2006. The amounts reported in the budgetary statements reflect the original and final appropriations approved by the Board in fiscal year 2006.
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.

**F. Cash and Investments**

To improve cash management, cash received by the District other than cash with fiscal agent is pooled. Monies for all 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 financial statements.

During fiscal year 2006, investments were limited to certificates of deposit.

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

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$46,314 which includes \$32,562 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the statement of net assets, 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 District's investment account at year-end is provided in Note 4.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$1,000. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture/equipment	5 - 20 years
Vehicles	8 years

**I. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments 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.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**J. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and future retirement obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as a liability in the fund financial statements when due.

**K. Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation, budget stabilization and bus purchase allowance. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under state statute.

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

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**M. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**N. Estimates**

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

**O. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for budget stabilization and school bus purchases. See Note 17 for details.

**P. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**B. Deficit Fund Balances**

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$ 542
Other Grant	10,066
EMIS	3,917
Ohio Reads	3
Title VI	1
Drug Free School Grant	1
Classroom Reduction Grant	6
Miscellaneous Federal Grant Fund	6,386

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Interim deposits are deposits of interim monies. Interim moneys 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 or deposit accounts including passbook accounts.

Protection of 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 to 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 and interest by the United States;
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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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 Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year-end, the District had \$750 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**B. Cash with Fiscal Agents**

At June 30, 2006, the District had \$175,611 in cash held by the Ohio Mid-Eastern Regional Education Service Agency and \$278 in cash held by North Central Ohio Educational Service Center, which is included on the financial statements as "Cash with Fiscal Agents". The money held by the fiscal agents cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants.

**C. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$1,198,162. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$1,114,997 of the District's bank balance of \$1,228,821 was exposed to custodial risk as discussed below, while \$113,824 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 1,198,162
Cash with fiscal agents	175,889
Cash on hand	<u>750</u>
Total	<u>\$ 1,374,801</u>



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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,348,528
Agency funds	<u>26,273</u>
Total	<u>\$ 1,374,801</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances for the year ended June 30, 2006 as reported on the fund statements, consist of the following individual interfund loan receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 10,007

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the Statement of Net Assets.

- B. Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 48,612

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the Statement of Activities.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$23,638 in the general fund, \$2,775 in the debt service fund, and \$428 in the Classroom Facilities Maintenance Fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2005 was \$25,492 in the general fund, \$3,242 in the debt service fund, and \$590 in the Classroom Facilities Maintenance Fund.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 6 - PROPERTY TAXES - (Continued)**

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 16,525,320	77.37	\$ 17,766,180	81.84
Public utility personal	1,255,540	5.88	1,386,720	6.39
Tangible personal property	<u>3,577,320</u>	<u>16.75</u>	<u>2,555,603</u>	<u>11.77</u>
Total	<u>\$ 21,358,180</u>	<u>100.00</u>	<u>\$ 21,708,503</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$ 35.00		\$ 35.00	
Debt Service	3.50		3.20	

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

The voters of the District passed a renewal of a 1% school district income tax at the November 2003 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 2006 was \$185,889.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. 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 reported on the statement of net assets follows:

<b>Governmental Activities</b>	
Taxes - current and delinquent	\$ 739,077
Accounts	45
Due from other governments	161,415
Accrued interest	<u>4,536</u>
Total receivables	<u>\$ 905,073</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance			Balance
	<u>June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2006</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 84,650	\$ -	\$ -	\$ 84,650
Total capital assets, not being depreciated	<u>84,650</u>	<u>-</u>	<u>-</u>	<u>84,650</u>
Capital assets, being depreciated:				
Land improvements	120,300	20,048	-	140,348
Building/improvements	6,272,920	-	-	6,272,920
Furniture/equipment	429,178	71,786	(39,980)	460,984
Vehicles	259,918	-	-	259,918
Total capital assets, being depreciated	<u>7,082,316</u>	<u>91,834</u>	<u>(39,980)</u>	<u>7,134,170</u>
Less: accumulated depreciation				
Land improvements	(43,114)	(6,517)	-	(49,631)
Building/improvements	(1,343,400)	(129,988)	-	(1,473,388)
Furniture/equipment	(286,352)	(26,874)	39,980	(273,246)
Vehicles	(135,432)	(23,139)	-	(158,571)
Total accumulated depreciation	<u>(1,808,298)</u>	<u>(186,518)</u>	<u>39,980</u>	<u>(1,954,836)</u>
Governmental activities capital assets, net	<u>\$ 5,358,668</u>	<u>\$ (94,684)</u>	<u>\$ -</u>	<u>\$ 5,263,984</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 82,981
Special	16,757
Support Services:	
Pupil	1,730
Instructional staff	12,932
Administration	3,392
Business	2,122
Operations and maintenance of plant	4,942
Pupil transportation	31,615
Extracurricular	17,058
Food service	<u>12,989</u>
Total depreciation expense	<u>\$ 186,518</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During fiscal year 2006 and in prior years, the District entered into capitalized leases for the acquisition of copiers. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reflected as function expenditures on the budgetary statements. Capital assets consisting of equipment have been capitalized in the amount of \$99,357. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2006 was \$46,036, leaving a current book value of \$53,321. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2006 fiscal year totaled \$16,125 paid by the general fund.

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, 2006.

Year Ending June 30	Amount
2007	\$ 18,090
2008	12,600
2009	12,600
2010	12,600
2011	7,349
Total minimum lease payment	63,239
Less: amount representing interest	(9,662)
Present value of minimum lease payments	\$ 53,577

**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 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. 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).

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.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**B.** The following is a description of the District's bonds outstanding as of June 30, 2006:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Bonds Outstanding 07/01/05</u>	<u>Bonds Retired in Fiscal 2006</u>	<u>Balance 06/30/06</u>
School improvement bonds	5.39%	12/01/23	\$ 545,000	\$ (20,000)	\$ 525,000

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

<u>Fiscal Year Ending June 30</u>	<u>Principal on Bonds</u>	<u>Interest on Bonds</u>	<u>Total</u>
2007	\$ 20,000	\$ 27,993	\$ 47,993
2008	20,000	27,163	47,163
2009	20,000	26,318	46,318
2010	20,000	25,463	45,463
2011	20,000	24,598	44,598
2012 - 2016	130,000	105,198	235,198
2017 - 2021	170,000	62,888	232,888
2022 - 2024	125,000	11,262	136,262
Total	\$ 525,000	\$ 310,883	\$ 835,883

**D.** During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>	<u>Amount Due in One Year</u>
<b>Governmental Activities:</b>					
Compensated absences payable	\$ 92,020	\$ 17,911	\$ (37,890)	\$ 72,041	\$ 17,911
General obligation bonds payable	545,000	-	(20,000)	525,000	20,000
Capital lease obligation	15,472	54,230	(16,125)	53,577	14,435
Total governmental activities long-term liabilities	\$ 652,492	\$ 72,141	\$ (74,015)	\$ 650,618	\$ 52,346

**E. 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, 2006 are a voted debt margin of \$1,550,507 (including available funds of \$121,742) an unvoted debt margin of \$21,709.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 12 - RISK MANAGEMENT**

**A. Property and Liability**

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:			
Each occurrence	Ohio School Plan	\$1,000,000	\$ -
Aggregate		3,000,000	-
Excess liability:			
Each occurrence	Ohio School Plan	1,000,000	-
Aggregate		1,000,000	-
Violence	Ohio School Plan	500,000	-
Building and contents	Ohio School Plan	7,219,922	1,000
Boiler and machinery		7,219,922	1,000
Fleet:			
Combined liability	Ohio School Plan	1,000,000	-
Underinsured/uninsured			
Motorist		1,000,000	-
Collision		Carrying Value	1,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in insurance from prior year.

**B. Health Insurance**

The District joined together with other area school districts to form the Seneca County Joint 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.

**C. Workers' 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 12 - RISK MANAGEMENT - (Continued)**

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 - PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. 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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$39,854, \$38,096, and \$32,101, respectively; 50.55 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$19,706 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.



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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 13 - PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004 were \$130,151, \$132,271, and \$124,257, respectively; 82.18 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$23,196 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$238 made by the District and \$3,496 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$10,012 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$20,215 to fund health care benefits, including the surcharge.

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 for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual presented for the general fund and migrant fund are 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 and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and the migrant fund are as follows:

**Net Change in Fund Balance**

	<u>General Fund</u>	<u>Migrant Fund</u>
Budget basis	\$ (44,371)	\$ (5,959)
Net adjustment for revenue accruals	(48,665)	(44,966)
Net adjustment for expenditure accruals	(27,077)	1,233
Net adjustment for other sources/uses	63,138	-
Adjustment for encumbrances	<u>29,445</u>	<u>1,196</u>
GAAP basis	<u>\$ (27,530)</u>	<u>\$ (48,496)</u>

**NOTE 16 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 16 - CONTINGENCIES - (Continued)**

**B. Litigation**

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

**NOTE 17 - 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, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>	
			<u>Reserved</u>	<u>Designated</u>
Set-aside cash balance as of June 30, 2005	\$ (24,246)	\$ (517,339)	\$ 9,214	\$ 25,390
Current year set-aside requirement	32,496	32,496	-	-
Qualifying disbursements	<u>(11,665)</u>	<u>(19,666)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (3,415)</u>	<u>\$ (504,509)</u>	<u>\$ 9,214</u>	<u>\$ 25,390</u>
Balance carried forward to FY 2007	<u>\$ (3,415)</u>	<u>\$ (504,509)</u>	<u>\$ 9,214</u>	<u>\$ 25,390</u>

The District had qualifying disbursements during the year that reduced the instructional materials set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

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. 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 \$26,992 for school bus reserves is in the general fund on the combined balance sheet at June 30, 2006.

A schedule of the general fund restricted assets at June 30, 2006 follows:

Amount restricted for bus purchase allowance	\$ 26,992
Amount restricted for budget stabilization	<u>9,214</u>
Total restricted assets	<u>\$ 36,206</u>



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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bettsville Local School District as of and for the fiscal year ended June 30, 2006, which collectively comprise the Bettsville Local School District's basic financial statements and have issued our report thereon dated December 7, 2006. 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.

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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 certain matters that we reported to management of Bettsville Local School District, in a separate letter dated December 7, 2006.

Board of Education  
Bettsville Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bettsville Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance of other matters that are required to be reported under *Government Auditing Standards*. However, we noted one immaterial instance of noncompliance that we have reported to the management of the Bettsville Local School District in a separate letter dated December 7, 2006.

This report is intended solely 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 7, 2006



**Mary Taylor, CPA**  
Auditor of State

**BETTSVILLE LOCAL SCHOOL DISTRICT**

**SENECA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 23, 2007**