

Bethel-Tate Local School District

Clermont County

Single Audit

July 1, 2002 through June 30, 2003

Fiscal Year Audited Under GAGAS: 2003

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Education
Bethel-Tate Local School District

We have reviewed the Independent Auditor's Report of the Bethel-Tate Local School District, Clermont County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period July 1, 2002 through June 30, 2003. 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.

A Finding for Recovery was issued against Ms. Evelyn Mayhugh (former treasurer during the audit period) and the Travelers Casualty and Surety Company of America, jointly and severally, and is in the amount of nine thousand five hundred sixty five dollars and eighty eight cents (\$9,565.88) and in favor of the food service fund. The Finding for Recovery was issued for the following reason:

A comparison of the high school and elementary school cafeteria cash register tapes to the amount deposited was performed for the entire audit period by the Independent Public Accountant. This comparison reflected differences between the amount collected per the cash register and the amount deposited per the Daily Cafeteria Report in the amount indicated above. Pursuant to Ohio Revised Code section 3313.31, "the treasurer shall be the chief fiscal officer of the school district and shall be responsible for the financial affairs of the district..."

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 Bethel-Tate Local School District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 1, 2004

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Bethel-Tate Local School District
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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Bethel-Tate Local School District
112 North Union Street
Bethel, Ohio 45106-1308

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel-Tate Local School District (the School District), Scioto County, as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the 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 opinion.

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 School District, as of June 30, 2003, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the 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 March 29, 2004, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the basic financial statements, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.
March 29, 2004

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Bethel-Tate Local School District's (the School District) discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not available. Subsequent reports will include the comparative information.

FINANCIAL HIGHLIGHTS

- The School District's assets exceeded its liabilities at June 30, 2003 by \$28,735,178.
- The School District's net assets of governmental activities decreased \$800,397 which represents a three percent decrease from 2002.
- General revenues accounted for \$11,447,962 in revenue or 86 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,858,645 or 14 percent of total revenues of \$13,306,607.
- The School District had \$14,107,004 in expenses related to governmental activities; \$1,858,645 of these expenses was offset by program specific charges for services, grants, or contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Bethel-Tate Local School District's financial situation as a whole and also give a detailed view of the School District's financial activities.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

The Statement of Net Assets and Statement of Activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Major 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 the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. The major funds of Bethel-Tate Local School District are the General Fund, Permanent Improvement and Classroom Facilities Capital Projects Funds.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The analysis of the School District as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes to those assets. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the School District's financial well-being. Some of these factors include the School District's tax base, current property tax laws in Ohio restricting revenue growth, the condition of capital assets, and required educational programs.

In the Statement of Net Assets and the Statement of Activities, the School District has only one kind of activity.

- Governmental Activities. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of capital assets, pupil transportation, and extracurricular activities.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the School District's funds begins on page 7. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The major funds of the School District are the General Fund, Permanent Improvement and Classroom Facilities Capital Projects Funds.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

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

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002.

Table 1
Net Assets

	2003	2002
Assets:		
Current Assets	\$7,281,354	\$12,761,717
Restricted Assets	1,985,031	801,669
Capital Assets, Net	32,730,328	28,246,824
Total Assets	41,996,713	41,810,210
Liabilities:		
Current and Other Liabilities	5,274,958	5,569,520
Long-Term Liabilities	7,986,577	6,705,115
Total Liabilities	13,261,535	12,274,635
Net Assets:		
Invested in Capital Assets, Net of Related Debt	25,411,586	22,151,824
Restricted	2,966,899	5,447,034
Unrestricted	356,693	1,936,717
Total Net Assets	\$28,735,178	\$29,535,575

Total assets of the School District as a whole increased by \$186,503 and total liabilities increased by \$986,900.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

Total net assets of the School District as a whole decreased \$800,397. This is mainly due to the school facilities and construction projects.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available.

Table 2
Change in Net Assets

	2003
Revenues	
Program Revenues:	
Charges for Services and Sales	\$507,248
Operating Grants and Contributions	1,351,397
Total Program Revenues	1,858,645
General Revenues:	
Property Taxes	2,925,938
Grants and Entitlements not Restricted to Specific Programs	8,204,128
Investment Earnings	122,494
Miscellaneous	195,402
Total General Revenues	11,447,962
Total Revenues	13,306,607
Program Expenses	
Instruction	
Regular	6,055,850
Special	1,548,827
Vocational	88,315
Adult/Continuing	36,843
Other	227
Support Services	
Pupil	234,335
Instructional Staff	548,472
Board of Education	21,920
Administration	1,099,733
Fiscal	375,203
Operation and Maintenance of Plant	1,862,009
Pupil Transportation	768,257
Central	268,701
Operation of Non-Instructional Services	507,584
Extracurricular Activities	253,376
Interest & Fiscal Charges	437,352
Total Expenses	14,107,004
Net Assets at Beginning of Year	29,535,575
Increase (Decrease) in Net Assets	(800,397)
Net Assets at End of Year	\$28,735,178

Bethel-Tate Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2003

Governmental Activities

Grants and entitlements comprised 62 percent of revenue for governmental activities of the Bethel-Tate Local School District for fiscal year 2003 and represents the largest source of revenue.

Property taxes comprised 22 percent of revenue for governmental activities of the School District for fiscal year 2003.

Operating grants and contributions comprised 10 percent of revenue for governmental activities during 2003.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 55 percent of governmental program expenses with support services comprising 37 percent of governmental expenses. The Board of Education relies on taxes to support increased student achievement within the school district.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2003	
	Total Cost of Services	Net Cost of Services
Instruction	\$7,730,062	\$6,933,204
Support Services	5,178,630	4,662,859
Operation of Non-instructional Services	507,584	104,442
Extracurricular Activities	253,376	178,310
Interest and Fiscal Charges	437,352	369,544
Total Expenses	\$14,107,004	\$12,248,359

THE SCHOOL DISTRICT'S FUNDS

Information about the School District's major governmental funds begins on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$15,098,060 and expenditures of \$19,072,152. The net change in fund balance for the year was most significant in the Classroom Facilities fund.

The fund balance of the Permanent Improvement Fund increased by \$1,355,870. This increase was primarily due to the School District entering into a capital lease in the amount of \$1,515,000 which provided other financing sources.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

The fund balance of the General Fund decreased by \$551,583. This decrease was primarily due to the School District receiving less in property and local tax revenue and interest revenue in the current year than in the prior year.

The fund balance of the Classroom Facilities Fund decreased by \$4,857,077. This decrease was due to the School District spending \$5,295,042 in capital outlay during the year.

General Fund Budgeting Highlights

The School District's budget is adopted on a fund basis. Before the budget is adopted, the Board of Education reviews the detailed information supporting of each object within the General Fund and then adopts the budget on a fund basis.

During 2003, there were revisions made to the General Fund budget. In part, the revisions added \$563,502 to the appropriations to account for unexpected increases in construction costs. The School District's ending unobligated cash balance was \$3,105,041 over the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2003, the School District had \$32,730,328 invested in its capital assets. Table 4 shows the fiscal year 2003 balances compared to 2002.

Table 4
Capital Assets
(Net of Accumulated Depreciation)
Governmental Activities

	2003	2002
Land	\$762,001	\$762,001
Land Improvements	1,573,476	1,723,674
Buildings and Improvements	27,839,400	133,720
Furniture and Equipment	1,946,597	1,641,113
Vehicles	284,361	273,289
Books	210,407	260,918
Infrastructure	114,086	6,024
Construction in Progress	0	23,446,085
Totals	\$32,730,328	\$28,246,824

Changes in capital assets from the prior year resulted from additions, disposals and depreciation. The most significant capital asset addition was construction related to the school buildings. For additional information regarding capital assets, please see Note 8 to the Basic Financial Statements.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

Debt

At June 30, 2003, the School District had \$61,000 in bond anticipation notes outstanding. The School District also had \$5,720,000 in bonds and loans outstanding at fiscal year end with \$240,000 due within one year. Table 5 summarizes the School District's outstanding debt:

Table 5
Outstanding Debt at Year End

Governmental Activities		
	2003	2002
Bond Anticipation Notes	<u>\$61,000</u>	<u>\$71,000</u>
Total Notes Payable	\$61,000	\$71,000
1983 General Obligation Bonds	10,000	20,000
1993 & 1994 Energy Conservation Loans	35,000	135,000
1996 School Bus Notes	0	34,000
2000 Classroom Facilities Bonds	<u>5,675,000</u>	<u>5,835,000</u>
Total Long-term Debt	<u>\$5,720,000</u>	<u>\$6,024,000</u>

At June 30, 2003 the School District's overall legal debt margin was \$6,150,815 with an unvoted debt margin of \$131,898. For additional information regarding the debt of the School District, please see Notes 13 and 14 to the Basic Financial Statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Amy Wells, Treasurer, Bethel-Tate Local School District, 112 North Union Street, Bethel, Ohio 45106-1308.

Bethel Tate Local School District
Statement of Net Assets
June 30, 2003

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,124,773
Materials and Supplies Inventory	37,201
Accounts Receivable	52,090
Intergovernmental Receivable	10,385
Taxes Receivable	3,056,905
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	958,261
Restricted Cash and Cash Equivalents with Fiscal Agents	1,026,770
Non-Depreciable Capital Assets	762,001
Depreciable Capital Assets, net	31,968,327
<i>Total Assets</i>	41,996,713
 LIABILITIES:	
Current Liabilities:	
Accounts Payable	48,105
Accrued Wages and Benefits	1,490,631
Contracts Payable	613,036
Intergovernmental Payable	256,565
Matured Interest Payable	694
Accrued Interest Payable	22,742
Retainage Payable	381,485
Deferred Revenue	2,400,700
Notes Payable	61,000
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	325,264
Due in More Than One Year	7,661,313
<i>Total Liabilities</i>	13,261,535
 NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	25,411,586
Restricted for Debt Service	384,483
Restricted for Capital Outlay	1,269,444
Restricted for Other Purposes	1,312,972
Unrestricted	356,693
<i>Total Net Assets</i>	\$28,735,178

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities				
Instruction:				
Regular	\$6,055,850	\$75,378	\$265,770	(\$5,714,702)
Special	1,548,827	17,328	436,797	(1,094,702)
Vocational	88,315	1,113	-	(87,202)
Adult/Continuing	36,843	472	-	(36,371)
Other	227	-	-	(227)
Support Services:				
Pupils	234,335	2,908	3,217	(228,210)
Instructional Staff	548,472	5,128	52,745	(490,599)
Board of Education	21,920	281	-	(21,639)
Administration	1,099,733	13,161	7,096	(1,079,476)
Fiscal	375,203	4,648	-	(370,555)
Operation and Maintenance of Plant	1,862,009	15,554	-	(1,846,455)
Pupil Transportation	768,257	10,253	353,068	(404,936)
Central	268,701	38,079	9,633	(220,989)
Operation of Non-Instructional Services	507,584	258,147	144,995	(104,442)
Extracurricular Activities	253,376	63,838	11,228	(178,310)
Interest & Fiscal Charges	437,352	960	66,848	(369,544)
<i>Total Governmental Activities</i>	<u>14,107,004</u>	<u>507,248</u>	<u>1,351,397</u>	<u>(12,248,359)</u>

General Revenues

Property Taxes	2,925,938
Grants and Entitlements not Restricted to Specific Programs	8,204,128
Investment Earnings	122,494
Miscellaneous	195,402
<i>Total General Revenues</i>	<u>11,447,962</u>
Change in Net Assets	(800,397)
<i>Net Assets Beginning of Year - as restated (See Note 3)</i>	<u>29,535,575</u>
<i>Net Assets End of Year</i>	<u>\$28,735,178</u>

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Balance Sheet
Governmental Funds
as of June 30,2003

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$2,163,671	\$697,457	\$544,094	\$719,551	\$4,124,773
Materials and Supplies Inventory	18,060	0	0	19,141	37,201
Accounts Receivable	52,090	0	0	0	52,090
Intergovernmental Receivable	0	0	0	10,385	10,385
Taxes Receivable	2,448,434	0	0	608,471	3,056,905
Restricted Assets:					
Cash and Cash Equivalents	958,261	0	0	0	958,261
Cash and Cash Equivalents with Fiscal Agents	0	644,591	381,485	694	1,026,770
<i>Total Assets</i>	<u>5,640,516</u>	<u>1,342,048</u>	<u>925,579</u>	<u>1,358,242</u>	<u>9,266,385</u>
LIABILITIES					
Accounts Payable	45,006	0	0	3,099	48,105
Accrued Wages and Benefits	1,462,863	0	0	27,768	1,490,631
Contracts Payable	0	0	613,036	0	613,036
Intergovernmental Payable	113,611	0	0	2,347	115,958
Matured Interest Payable	0	0	0	694	694
Accrued Interest Payable	0	1,592	0	0	1,592
Retainage Payable	0	0	381,485	0	381,485
Deferred Revenue	2,172,157	0	0	537,056	2,709,213
Notes Payable	0	61,000	0	0	61,000
<i>Total Liabilities</i>	<u>3,793,637</u>	<u>62,592</u>	<u>994,521</u>	<u>570,964</u>	<u>5,421,714</u>
FUND BALANCES					
Reserved:					
Reserved for Encumbrances	11,084	25,619	139,782	4,575	181,060
Reserved for Property Taxes	317,600	0	0	81,800	399,400
Reserved for Text Books	320,537	0	0	0	320,537
Reserved for Capital Improvements	637,724	0	0	0	637,724
Unreserved, Undesignated, Reported in:					
General Fund	559,934	0	0	0	559,934
Special Revenue Funds	0	0	0	382,058	382,058
Debt Service Fund	0	0	0	261,115	261,115
Capital Projects Funds	0	1,253,837	(208,724)	57,730	1,102,843
<i>Total Fund Balances</i>	<u>1,846,879</u>	<u>1,279,456</u>	<u>(68,942)</u>	<u>787,278</u>	<u>3,844,671</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,640,516</u>	<u>\$1,342,048</u>	<u>\$925,579</u>	<u>\$1,358,242</u>	<u>\$9,266,385</u>

See accompanying notes of the basic financial statements.

Bethel-Tate Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2003*

Total Governmental Fund Balances		\$ 3,844,671
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		32,730,328
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	269,753	
Intergovernmental	38,760	
Total		308,513
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore is not reported in the funds		(140,607)
Accrued interest payable on long-term debt is not reported in the funds.		(21,150)
Long-Term Liabilities, including bonds, capital lease obligations, long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Capital Lease Obligations	(1,515,000)	
Compensated Absences	(751,577)	
General Obligation Bonds	(5,720,000)	
Total		(7,986,577)
Net Assets of Governmental Activities		\$ 28,735,178

See accompanying notes to the basic financial statements

Bethel Tate Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance.
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	GENERAL	PERMANENT IMPROVEMENT	CLASSROOM FACILITIES	OTHER GOVERNMENTAL FUNDS	Total Governmental Funds
REVENUES:					
Property and Other Local Taxes	\$2,296,316	\$11,998	\$0	\$566,782	\$2,875,096
Intergovernmental	8,830,261	0	386,618	684,255	9,901,134
Interest	50,271	18,261	51,147	2,815	122,494
Tuition and Fees	104,958	0	0	0	104,958
Rent	5,500	0	0	0	5,500
Extracurricular Activities	0	0	0	97,638	97,638
Gifts and Donations	50	0	0	22,959	23,009
Customer Sales and Services	0	0	0	257,829	257,829
Miscellaneous	134,663	1,103	200	59,436	195,402
Total Revenues	11,422,019	31,362	437,965	1,691,714	13,583,060
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,758,618	0	0	212,095	5,970,713
Special	1,410,882	0	0	160,597	1,571,479
Vocational	89,509	0	0	0	89,509
Adult/Continuing	36,843	0	0	0	36,843
Support Services:					
Pupils	222,928	0	0	3,216	226,144
Instructional Staff	406,696	0	0	62,459	469,155
Board of Education	18,489	0	0	0	18,489
Administration	1,100,609	0	0	1,222	1,101,831
Fiscal	373,917	0	0	0	373,917
Operation and Maintenance of Plant	1,229,066	0	0	0	1,597,684
Pupil Transportation	802,745	0	0	0	802,745
Central	184,194	0	0	82,646	266,840
Operation of Non-Instructional Services	34,368	0	0	453,810	488,178
Extracurricular Activities	129,608	0	0	96,390	225,998
Capital Outlay	0	186,001	5,295,042	0	5,112,425
Debt Service:					
Principal	100,000	0	0	204,000	304,000
Interest	75,130	4,491	0	336,581	416,202
Total Expenditures	11,973,602	190,492	5,295,042	1,613,016	19,072,152
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(551,583)</u>	<u>(159,130)</u>	<u>(4,857,077)</u>	<u>78,698</u>	<u>(5,489,092)</u>
OTHER FINANCING SOURCES AND USES:					
Inception of Capital Lease	0	1,515,000	0	0	1,515,000
Total Other Financing Sources and Uses	<u>0</u>	<u>1,515,000</u>	<u>0</u>	<u>0</u>	<u>1,515,000</u>
Net Change in Fund Balances	(551,583)	1,355,870	(4,857,077)	78,698	(3,974,092)
<i>Fund Balance (Deficit) at Beginning of Year (as restated, see Note</i>	<u>2,398,462</u>	<u>(76,414)</u>	<u>4,788,135</u>	<u>708,579</u>	<u>7,818,762</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u><u>\$1,846,879</u></u>	<u><u>\$1,279,456</u></u>	<u><u>(\$68,942)</u></u>	<u><u>\$787,277</u></u>	<u><u>\$3,844,670</u></u>

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
*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, 2003*

Net Change in Fund Balances - Total Governmental Funds \$ (3,974,092)

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 exceeded capital outlays in the current period.

Capital Asset Additions	5,948,672	
Current Year Depreciation	(851,845)	
Total	5,096,827	5,096,827

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets.

Loss on Disposal of Capital Assets	(613,323)	
Total	(613,323)	(613,323)

Governmental funds report the inception of capital lease as an increase in other financing sources. The lease is not recorded as a resource in the statement of activities.

(1,515,000)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	50,842	
Tuition and Fees	41,323	
Total	92,165	92,165

Repayment of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

304,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in Compensated Absences	(115,605)	
Increase in Interest Payable	(21,150)	
Increase in Intergovernmental Payable	(54,219)	

Total	(190,974)	(190,974)
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Net Change in Net Assets of Governmental Activities \$ (800,397)

See accompanying notes to the basic financial statements

Bethel-Tate Local School District
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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	\$11,206,770	\$11,351,027	\$11,351,027	\$0
Total Expenditures and Other Uses	<u>14,152,626</u>	<u>14,716,128</u>	<u>11,611,087</u>	<u>3,105,041</u>
Net Change in Fund Balance	(2,945,856)	(3,365,101)	(260,060)	3,105,041
Fund Balance, July 1, 2002	3,290,481	3,290,481	3,290,481	0
Prior Year Encumbrances Appropriated	<u>74,625</u>	<u>74,625</u>	<u>74,625</u>	<u>0</u>
Fund Balance, June 30, 2003	<u><u>\$419,250</u></u>	<u><u>\$5</u></u>	<u><u>\$3,105,046</u></u>	<u><u>\$3,105,041</u></u>

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Fiduciary Assets and Liabilities
as of June 30, 2003

	<u>Agency Fund</u>
ASSETS	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$39,256</u>
<i>Total Assets</i>	<u><u>39,256</u></u>
LIABILITIES	
Current Liabilities:	
Due to Students	<u>39,256</u>
<i>Total Liabilities</i>	<u><u>\$39,256</u></u>

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Bethel-Tate Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in the early 1800's through the consolidation of existing land areas and school districts. The School District serves an area of approximately 48.04 square miles. It is located in Clermont County, and includes the Village of Bethel and Tate Township. It is staffed by 60 non-certificated employees, 115 certificated full-time teaching personnel and 9 administrative employees who provide services to 1,926 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative office, 1 garage, 1 bus barn, and 1 maintenance barn.

Reporting Entity:

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

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

The following organizations perform activities within the School District's boundaries for the benefits of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these organizations nor are they fiscally dependent on the District.

Boosters Clubs
Parent-Teacher Organizations

The School District is associated with five organizations, three of which are defined as jointly governed organizations, one as a public entity risk pool, and one as an insurance purchasing pool. These organizations are the Hamilton/Clermont Cooperative Association/Unified Purchasing Association, the U.S. Grant Joint Vocational School, the Hamilton/Clermont Cooperative Association, the Clermont County Health Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations and the School District's participation are discussed in Notes 15, 16 and 17 to the Basic Financial Statements.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (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. Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict or contradict guidance of the Governmental Accounting Standards Board. The more significant of the School District's accounting policies are described below.

Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District's functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose 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 School District's major governmental funds:

General Fund

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

Permanent Improvement Fund

The Permanent Improvement fund is a major Capital Projects fund used to account for capital improvements made by the School District.

Classroom Facilities Fund

The Classroom Facilities fund is a major Capital Projects fund used to account for monies received and expended in connection with contracts entered into for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

Fiduciary Funds

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

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

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

The statement of net assets presents the financial condition of governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements - 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 fund financial statements for governmental funds.

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. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. "Measurable" means the amount of the transaction can be determined, and "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 School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property 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 School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 year-end: property taxes available as an advance, investment earnings, tuition, grants, and fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 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 operating statement as an expense with a like amount reported as donated commodities 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, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees, (3) the costs related to the workers compensation are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period the costs were incurred. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

All funds, other than the agency funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

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

Encumbrances

Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements. Encumbrances are reported as part of expenditures/expenses on a non-GAAP budgetary basis in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund.

Cash and Investments

Cash received by the School District is deposited into one of several bank accounts with individual fund balance integrity maintained. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All investment earnings accrue to the General Fund except those specifically related to those funds deemed appropriate according to Board of Education policy. Interest earned amounted to \$122,494 in which \$50,271 was recorded in the General Fund; \$18,261 was recorded in the Permanent Improvement Capital Projects Fund; \$51,147 was recorded in the Classroom Facilities Capital Projects Fund; and \$2,815 was recorded in the Food Service Special Revenue Fund.

The School District records all its investments at fair value. For presentation on the balance sheet, investments of the cash management pool are considered to be cash equivalents. The School District has invested in the Federal Home Loan Bank Bonds, Money Market Mutual Funds, and repurchase agreements during fiscal year 2003.

Investments with original maturities of three months or less at the time they are purchased by the School District are reported as cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption and donated commodities held for resale.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation:

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets 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. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500.

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. The School District does not capitalize interest.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-25 years
Building and Improvements	10-50 years
Furniture and Equipment	5-20 years
Vehicles	7-15 years
Books	5-20 years
Infrastructure	10-15 years

Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method.

The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future. The School District records an accrual for sick leave to the extent it is probable that benefits will result in termination payments. The accrual amount is based upon an estimate of the School District's past experience of making termination payments.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 judgements, compensated absences, contractually required pension contributions and special termination benefits 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 in the current year and will be paid with available financial resources. Bonds, long-term loans, and capital leases are recognized as a liability on the government-wide financial statements when due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes represents balances in special revenue funds for grants received which are restricted as to their use by grantors and the amounts restricted for set-asides (see Note 20 for additional information on the set-asides).

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

Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, property tax revenue reserved by the Board for future year's appropriations, textbooks, and capital improvements. The reserve for property tax represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The unreserved, undesignated portions of fund equity reflected for Governmental Funds are available for use within the specific purpose of those funds.

Estimates

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

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. During fiscal year 2003, the School District held monies for the construction of new school buildings. Retainage Escrow amounts and amounts held in conjunction with the District's lease agreement at June 30, 2003 have been restricted and are presented as "Restricted Cash and Cash Equivalents with Fiscal Agents" on the balance sheet.

The School District also had restricted cash in the amount of \$958,261 held aside for the textbook and capital improvement reserves.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

For fiscal year 2003, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements." GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The beginning net assets amount for government programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting and correction of prior years’ errors in capital asset balances.

The implementation of these Statements and certain fund reclassifications required that certain adjustments be recorded to the June 30, 2003, fund balances of major and non-major funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Permanent Improvement	Classroom Facilities	Non-major	Total
Fund Balances, June 30, 2002	\$2,367,201	(\$76,414)	\$4,788,135	\$590,485	\$7,669,407
Fund Reclassification of Business-Type Activities	0	0	0	171,106	171,106
Adjustments necessary to comply with GAAP	31,261	0	0	(53,012)	(21,751)
Restated Fund Balances, June 30, 2002	\$2,398,462	(\$76,414)	\$4,788,135	\$708,579	7,818,762
Adjustments necessary to comply with GASB 34 Correction of prior years’ accounting errors					28,102,684 (6,385,871)
Governmental Activities Net Assets, June 30, 2002					<u>\$29,535,575</u>

Business-Type Activities:

	<u>Fund Balance:</u>
Fund Equity as of June 30, 2002	\$171,106
Fund Reclassification due to GASB 34 Implementation	<u>(171,106)</u>
Net Assets as of July 1, 2003	<u>\$0</u>

NOTE 4 - BUDGET TO GAAP RECONCILIATION

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis, as provided by law, and described above, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Similar Trust Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 4 - BUDGET TO GAAP RECONCILIATION (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General fund:

Net Change in Fund Balance	General
GAAP Basis	(\$551,583)
Adjustments:	
Revenue Accruals	(70,992)
Expenditure Accruals	373,599
Encumbrances	(11,084)
Budget Basis	(\$260,060)

NOTE 5 - 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 School 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 two- year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys that 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 the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or other obligations 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 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. Bond 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), and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain Banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made to the treasurer or qualified trustee only upon delivery of the securities representing the investments or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits At year end, the carrying amount of the School District's deposits was \$740,437 and the bank balance was \$796,141. Of the bank balance, \$211,758 was covered by federal depository insurance and \$584,383 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the School District's name. Money Market Mutual Funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Carrying Amount	Fair Value
<u>Investments:</u>				
Repurchase Agreements	\$0	\$3,513,032	\$3,513,032	\$3,513,032
Money Market Mutual Funds	0	0	644,591	644,591
Federal Home Loan Bank Bonds	1,251,000	0	1,251,000	1,251,000
Total Investments	\$1,251,000	\$3,513,032	\$5,408,623	\$5,408,623

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.*

Reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$6,149,060	\$0
Investments:		
Repurchase Agreements	(3,513,032)	3,513,032
Money Market Mutual Funds	(644,591)	644,591
Federal Home Loan Bank Bonds	(1,251,000)	1,251,000
GASB Statement 3	\$740,437	\$5,408,623

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) are for calendar 2003 taxes.

2003 real property taxes are levied after April 1, 2003 on the assessed value listed as of January 1, 2003, the lien date.

Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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.

Tangible personal property taxes paid 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.

The School District receives property taxes from Clermont and Hamilton Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 – PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$317,600 in the General Fund, \$74,700 in the Debt Service Fund, and \$7,100 in the Classroom Facilities Special Revenue Fund.

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$105,677,340	93.45%	\$124,255,250	94.21%
Public Utility	4,369,660	3.86%	4,984,700	3.78%
Tangible Personal Property	3,039,145	2.69%	2,657,990	2.01%
Total Assessed Value	\$113,086,145	100.00%	\$131,897,940	100.00%
Tax rate per \$1,000 of Assessed valuation	\$34.10		\$34.10	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. 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 fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
Non-Major Special Revenue Funds:	
Title V	\$7,190
Title IV-Drug Free	3,195
<i>Total Non-Major Special Revenue Funds</i>	10,385
<i>Total Intergovernmental Receivables</i>	\$10,385

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2003, was as follows:

	Ending Balance 06/30/02*	Additions	Deletions	Ending Balance 06/30/03
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$762,001			\$762,001
Construction in Progress	23,446,085	0	(23,446,085)	0
Total Capital Assets, Not Being Depreciated	22,055,727	0	(23,446,085)	762,001
Capital Assets Being Depreciated				
Land Improvements	2,443,996	29894	(478,383)	1,995,507
Buildings and Improvements	6,918,728	28,111,198	0	35,029,926
Furniture and Equipment	3,262,621	1,027,347	(887,160)	3,402,810
Vehicles	1,091,725	111,215	(56,000)	1,146,940
Books	1,004,725	0	0	1,004,725
Infrastructure	9,563	115,103	(4,260)	120,406
Total Capital Assets, Being Depreciated	14,731,358	29,394,757	(1,425,801)	42,700,314
Less Accumulated Depreciation:				
Land Improvements	(720,322)	(68,300)	366,591	(422,031)
Buildings and Improvements	(6,785,008)	(405,518)	0	(7,190,526)
Furniture, Fixtures & Equipment	(1,621,508)	(248,016)	413,311	(1,456,213)
Vehicles	(818,436)	(74,873)	30,730	(862,579)
Books	(743,807)	(50,511)	0	(794,318)
Infrastructure	(3,539)	(4,627)	1,846	(6,320)
Total Accumulated Depreciation	(10,692,620)	(851,845)	812,478	(10,731,987)
Total Capital Assets Being Depreciated, Net	4,038,738	28,542,912	(613,323)	31,968,327
Governmental Activities Capital Assets, Net	<u>\$28,246,824</u>	<u>\$28,542,912</u>	<u>(\$24,059,408)</u>	<u>\$32,730,328</u>

* This balance was restated due to implementation of GASB 34 and correction of prior year accounting errors – see Note 3

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 8 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$627,640
Special	1,014
Other	227
Support Services:	
Instructional Staff	63,879
Administration	24,887
Fiscal	783
Operation & Maintenance of Plant	81,442
Pupil Transportation	41,067
Central	2,261
Non-Instructional Services	3,708
Extra-Curricular	4,937
Total Depreciation Expense	\$851,845

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Indiana Insurance for property, fleet, and inland marine insurance and with Nationwide Insurance for liability insurance. Coverage provided is as follows:

Building and Contents-replacement cost (\$500 deductible)	\$16,033,233
Inland Marine Coverage (\$250 deductible)	457,000
Boiler and Machinery (\$500 deductible)	500,000
Crime Insurance	5,000
Automobile Liability (No deductible)	1,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 9 - RISK MANAGEMENT (Continued)

For fiscal year 2003, the School District participated in the Clermont County Health Trust (the Trust), a public entity risk pool (Note 16), in order to provide life, sick, accident, and other benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. Any of such benefits, as the Trustee may determine, may be provided in whole or in part through one or more group insurance policies.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Bethel Tate Local School District contributes to the School Employees Retirement System of Ohio (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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Schools District's contributions for pension obligations to SERS for the fiscal years ending June 30, 2003, 2002, and 2001, were \$99,760, \$54,902, and \$33,921, respectively; 48 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$52,227 represents the unpaid portion for fiscal year 2003.

B. State Teachers Retirement System

The Bethel-Tate Local School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614)227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ending June 30, 2003, 2002, and 2001, were \$530,271, \$521,100 and \$119,584, respectively; 90 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$51,975 represents the unpaid portion for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated 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 obligation 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.

All STRS benefits recipients and sponsored 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. Most benefit recipients pay a portion of the health care cost in the form of 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, 2003, the STRS Board allocated employer contributions to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$55,674 during fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.011 billion at June 30, 2002. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution, provides for maintenance of the asset target level for the health care fund. The portion of the employer contributions that were used to fund post-employment benefits in 2003 was \$202,133.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003, were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003 SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum by all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 44 days.

B. Life Insurance

The School District provides life insurance to most employees through Unum.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 13 - SHORT-TERM OBLIGATIONS

As of June 30, 2003, the School District had \$61,000 in outstanding short-term obligations with interest rates between 4.34% and 4.94%. During fiscal year 2003, the School District retired bond anticipation notes in the amount of \$71,000. The debt had been reported in the Permanent Improvement Capital Project Fund and paid from the Debt Service Fund.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03	Due In One Year
Bethel-Tate School Improvement General Obligation Bonds 1983 9.25%	\$20,000	\$0	\$10,000	\$10,000	\$10,000
Energy Conservation Loan 1993 4.8%	65,000	0	65,000	0	0
Energy Conservation Loan 1994 5.45%	70,000	0	35,000	35,000	35,000
School Bus Financing Notes 1996 5.35%	34,000	0	34,000	0	0
Classroom Facilities Improvement Bonds 2000 5.73%	5,835,000	0	160,000	5,675,000	195,000
Total Long-Term Bonds and Loans	6,024,000	0	304,000	5,720,000	240,000
Compensated Absences	635,972	751,577	635,972	751,577	64,264
Capital Leases	0	1,515,000	0	1,515,000	21,000
Total General Long-Term Obligations	\$6,705,115	\$2,266,577	\$931,279	\$7,986,577	\$325,264

Bethel-Tate School Improvements General Obligation Bonds - On April 1, 1983, Bethel-Tate Local School District issued \$200,000 in voted general obligation bonds for the purpose of improvements to the middle school building. The bonds were issued for a twenty-year period with final maturity at December 1, 2003. The bonds will be retired from the debt service fund.

Energy Conservation Loan - On June 1, 1993, Bethel-Tate Local School District issued \$535,690 in un-voted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten-year period with final maturity during fiscal year 2003. The loan will be retired from the General Fund.

Energy Conservation Loan - On July 1, 1994, Bethel-Tate Local School District issued \$290,000 in un-voted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten-year period with final maturity during fiscal year 2004. The loan will be retired from the General Fund.

School Bus Financing Notes - On May 1, 1996, Bethel-Tate Local School District issued \$208,000 in un-voted general obligation notes for the purpose of purchasing buses in a pool and, therefore, receiving them at a discounted cost. The notes were issued for a seven-year period with final maturity during fiscal year 2003. The notes will be retired from the debt service fund.

Classroom Facilities Improvement Bonds - On April 1, 2000, Bethel-Tate Local School District issued \$6,075,500 in un-voted general obligation bonds for the purpose of purchasing land, building a gym, and classroom improvements. The bonds were issued for a twenty-two year period with a final maturity during fiscal year 2023. The bonds will be retired from the debt service fund.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 14 – LONG TERM OBLIGATIONS (Continued)

Compensated absences will be paid from the fund from which the employees' salaries are paid.

Principal and interest requirements to retire general obligation debt, including notes and loans outstanding at June 30, 2003, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2004	240,000	318,610	558,610
2005	210,000	306,618	516,618
2006	235,000	295,820	530,820
2007	125,000	286,969	411,969
2008-2012	970,000	1,305,455	2,275,455
2013-2017	1,390,000	940,309	2,330,309
Thereafter	<u>2,550,000</u>	<u>447,061</u>	<u>2,997,061</u>
Total	<u>\$5,720,000</u>	<u>\$3,900,842</u>	<u>\$9,620,842</u>

The School District's voted legal debt margin was \$6,150,815 within unvoted debt margin of \$131,898 at June 30, 2003.

Capital Lease Obligation

The District entered into a lease purchase agreement on July 11, 2002 to finance a variety of projects including a portion of the classroom facilities project, as well as, several other construction projects, the acquisition of new school buses, computers and computer related software. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The total amount of the capital lease obligation of \$1,515,000 was recorded as an increase in restricted cash and inception of a capital lease in the Permanent Improvement Fund. The capital lease payments for this lease will be classified as debt service in the General Fund in the fund financial statements. These expenditures will be reflected as program/function expenditures on a budgetary basis. There were no payments made in fiscal year 2003.

For the leased assets related to the Governmental Funds, a portion of the fixed assets acquired by the lease have been capitalized in the government wide financial statements to the extent of the amount expended on such assets. A liability in the amount of \$1,515,000 was recorded in the government wide financial statements. The District's future minimum lease payments under capital lease obligations for Governmental Activities as of June 30, 2003 are as follows:

Fiscal Year Ending June 30,	Principal	Interest at 5.65%	Total
2004	\$21,000	\$91,153	\$112,153
2005	26,000	85,329	111,329
2006	27,000	84,018	111,018
2007	28,000	82,650	110,650
2008	29,000	81,168	110,168
Thereafter	<u>1,384,000</u>	<u>1,200,249</u>	<u>2,584,249</u>
Total	<u>\$1,515,000</u>	<u>\$1,624,567</u>	<u>\$3,139,567</u>

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Hamilton Clermont Cooperative Association/Unified Purchasing Association - The Hamilton Clermont Cooperative Association/Unified Purchasing Association is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments.

U.S. Grant Joint Vocational School - The U.S. Grant Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the four participating school districts? elected boards with an additional representative rotated among the four schools. The Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the U.S. Grant Joint Vocational School, Marion Canter, who serves as Treasurer, at 3046 State Route 125, Bethel, Ohio 45106.

Hamilton/Clermont Cooperative Association - The School District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was 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 governing board of H/CCA consists of the superintendents and/or treasurers of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid H/CCA \$26,895 for services provided during the year. Financial information can be obtained from the H/CCA of Boards of Education, Steve Hawley, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

NOTE 16 - PUBLIC ENTITY RISK POOL

Clermont County Health Trust - The Clermont County Health Trust (the Trust), a public entity risk pool, is a health trust formed to provide affordable and desirable life, sick, accident, and other beneficial group insurance for member's employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and Trustees are elected by the vote of a majority of the member school districts. The School District pays premiums to the health trust based on what an insurer estimates will cover the costs of all claims for which the insurer is obligated. Upon termination, the School District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The School District may terminate participation in the Trust for the benefit if its employees upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the Policy. Financial information can be obtained from the Clermont County Health Trust at P.O. Box 526 Middletown, Ohio 45042.

NOTE 17 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 18 - CONTINGENCIES

A. Litigation

The School District is party to legal proceedings. The School District management is of the opinion that disposition of these proceedings will not have a material effect, if any, on the financial condition of the School District.

B. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

NOTE 19 - SUPREME COURT CASE DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 20 - STATUTORY RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years.

The following information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbook Reserve	Capital Maintenance Reserve	Total
Balance 07/01/2002	\$296,381	\$505,288	\$801,669
Required Set-Aside	245,154	245,154	490,308
Qualifying Expenditures	(220,998)	(112,718)	(333,716)
Set-aside Balance Carried Forward to Future Years	\$320,537	\$637,724	\$958,261
Set-aside Reserve Balance as of June 30, 2003	\$320,537	\$637,724	\$958,261

Bethel-Tate Local School District
Clermont County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>United States Department of Agriculture</u>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550	\$0	\$30,778	\$0	\$30,778
National School Lunch Program	LL-P4	10.555	93,761	0	93,761	0
Total United States Department of Agriculture - Nutrition Cluster			93,761	30,778	93,761	30,778
<u>United States Department of Education</u>						
<i>Passed through Ohio Department of Education</i>						
Safe & Drug Free Schools & Communities	DR-S1	84.186	4,142	0	8,274	0
Title 1 Grants to Local Education Agencies	C1-SI	84.010	126,573	0	126,573	0
<i>Special Education Cluster</i>						
Special Education Grants to States	6B-SF	84.027	161,890	0	161,890	0
Total Special Education Cluster			161,890	0	161,890	0
Class Size Reduction	CR-S1	84.340	26,475	0	26,475	0
Improving Teacher Quality State Grants	TR-S1	84.367	59,247	0	59,247	0
Networking	G2S4	84.276	3,466	0	3,466	0
Assistive Technology	ATS1	84.352A	13,163	0	13,163	0
Total United States Department of Education			394,956	0	399,088	0
Total Federal Financial Assistance			\$488,717	\$30,778	\$492,849	\$30,778

N/A=Not Available

See Accompanying Notes to Schedule of Federal Awards Expenditures.

Bethel-Tate Local School District
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTIONS

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the School District had no significant food commodities in inventory.

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Ohio Society of Certified Public Accountants

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

Members of the Board
Bethel-Tate Local School District
112 North Union Street
Bethel, Ohio 45106-1308

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel-Tate Local School District (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated March 29, 2004, in which we indicated the School District adopted Governmental Accounting Standards Board Statement numbers 34, 37, 38, and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the School District in a separate letter dated March 29, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over the financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the School District in a separate letter dated March 29, 2004.

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.
March 29, 2004

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**Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-133**

Members of the Board
Bethel-Tate Local School District
112 North Union Street
Bethel, Ohio 45106-1308

Compliance

We have audited the compliance of Bethel-Tate Local School District (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit we considered the internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

March 29, 2004

Bethel-Tate Local School District
Clermont County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.027 Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Bethel-Tate Local School District
Clermont County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2003

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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Betty Montgomery**

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BETHEL-TATE LOCAL SCHOOL DISTRICT

CLERMONT 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
OCTOBER 18, 2004**