

Bethel Tate Local School District

Clermont County, Ohio

Single Audit

July 1, 2006 Through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of Education
Bethel Tate Local School District
112 North Union Street
Bethel, Ohio 45106

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, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 25, 2008

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Bethel Tate Local School District
Clermont County, Ohio

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

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), Clermont County, as of and for the year ended June 30, 2007, 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

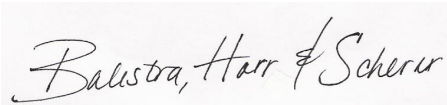
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparison for the general fund thereof, 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 December 28, 2007 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board
Bethel Tate Local School District
INDEPENDENT AUDITOR'S REPORT
Page 2

Our audit was conducted for the purpose of forming opinions 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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
December 28, 2007

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Bethel-Tate Local School District's (the School District) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2007. 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.

FINANCIAL HIGHLIGHTS

- The School District's assets exceeded its liabilities at June 30, 2007 by \$25,047,553.
- The School District's net assets of governmental activities decreased \$793,587.
- General revenues accounted for \$12,418,604 in revenue or 78 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,536,845 or 22 percent of total revenues of \$15,955,449.
- The School District had \$16,749,036 in expenses related to governmental activities; \$3,536,845 of these expenses was offset by program specific charges for services and sales, 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.

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. 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 and the Bond Retirement Debt Service Fund.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

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 and the Bond Retirement Debt Service Fund.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Governmental Funds. Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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.

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 fiduciary funds are agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal 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.

The School District's fiduciary funds are agency funds which are used to maintain financial activity of the School District's Student Managed Activities.

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 as of June 30, 2007 compared to June 30, 2006.

Table 1
Net Assets
Governmental Activities

	2007	2006
Assets:		
Current and Other Assets	\$9,303,140	\$8,767,414
Capital Assets, Net	28,373,263	29,160,028
Total Assets	37,676,403	37,927,442
Liabilities:		
Current and Other Liabilities	4,868,690	4,722,629
Long-Term Liabilities	7,760,160	7,363,673
Total Liabilities	12,628,850	12,086,302
Net Assets:		
Invested in Capital Assets, Net of Related Debt	22,014,632	22,571,345
Restricted	2,238,009	1,913,967
Unrestricted	794,912	1,355,828
Total Net Assets	\$25,047,553	\$25,841,140

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Total net assets of the School District as a whole decreased \$793,587. The decrease to capital assets, net is due primarily to current year depreciation expense. The increase to current and other assets is due primarily to cash on hand at June 30 as a result of the District issuing a certificate of participation. The issuance of the certificate of participation also contributed to the increase in long-term liabilities.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007 compared to June 30, 2006.

Table 2
Change in Net Assets
Governmental Activities

	2007	2006
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,315,342	\$938,413
Operating Grants and Contributions	2,221,503	2,701,769
Capital Grants and Contributions	0	26,865
Total Program Revenues	3,536,845	3,667,047
General Revenues:		
Property Taxes	2,979,445	3,504,976
Grants and Entitlements not Restricted to Specific Programs	9,042,467	8,484,346
Investment Earnings	294,914	199,717
Miscellaneous	101,778	136,903
Total General Revenues	12,418,604	12,325,942
Total Revenues	15,955,449	15,992,989
Program Expenses		
Instruction		
Regular	8,635,435	8,697,755
Special	1,330,071	1,316,202
Vocational	120,468	129,766
Other	93,644	100,700
Support Services		
Pupils	635,752	650,433
Instructional Staff	793,619	641,577
Board of Education	21,353	21,843
Administration	1,062,280	1,065,773
Fiscal	381,006	350,603
Operation and Maintenance of Plant	1,406,998	1,458,202
Pupil Transportation	844,735	885,700
Central	211,618	123,927
Operation of Non-Instructional Services	533,023	436,484
Extracurricular Activities	340,779	398,373
Interest & Fiscal Charges	338,255	387,607
Total Expenses	16,749,036	16,664,945
Increase (Decrease) in Net Assets	(793,587)	(671,956)
Net Assets at Beginning of Year	25,841,140	26,513,096
Net Assets at End of Year	\$25,047,553	\$25,841,140

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Operating grants and contributions decreased due mainly to the decrease in funding received by the District for pupil transportation. This decrease is partially offset in the Grants and Entitlements not Restricted to Specific Programs. Charges for Services increased due to an increase in open enrollment monies received. The decrease in property taxes is due to a decrease in amount available as an advance and delinquencies.

Governmental Activities

Unrestricted grants and entitlements comprised 57 percent of revenue for governmental activities of the Bethel-Tate Local School District for fiscal year 2007 and represent the largest source of revenue.

Property taxes comprised 19 percent of revenue for governmental activities of the School District for fiscal year 2007.

Operating grants and contributions comprised 14 percent of revenue for governmental activities during 2007.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 61 percent of governmental program expenses with support services comprising 32 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 sales, and grants and contributions 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.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$10,179,618	\$8,741,526	\$10,244,423	\$9,006,665
Support Services	5,357,361	4,381,728	5,198,058	3,705,859
Operation of Non-instructional Services	533,023	(135,208)	436,484	(152,848)
Extracurricular Activities	340,779	(39,963)	398,373	127,328
Interest and Fiscal Charges	338,255	264,108	387,607	310,894
Total Expenses	\$16,749,036	\$13,212,191	\$16,664,945	\$12,997,898

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 \$20,548,283 and expenditures and other financing uses of \$20,151,805. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund decreased by \$381,971. This decrease was primarily due to the increase in regular instruction.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

The fund balance of the Bond Retirement Fund increased by \$88,604. This increase was primarily due to the School District issuing refunding bonds.

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 2007, there were revisions made to the General Fund budget. In part, the revisions added \$390,746 to revenues due in part to intergovernmental revenue and refund of prior year expenditures. Actual Revenues were below final estimates in the amount of \$875,795 due mainly to intergovernmental revenue. The revisions deducted \$220,627 from the appropriations. Final budgeted appropriations were \$695,453 in excess of actual expenditures in the amount of \$14,389,007 due to the School District maintaining tight fiscal control over expenditures. The School District's ending unobligated cash balance was \$2,998,681.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007, the School District had \$28,373,263 invested in its capital assets. Table 4 shows the fiscal year 2007 balances compared to 2006.

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

	2007	2006
Land	\$762,001	\$762,001
Library Books	538,340	520,086
Land Improvements	1,024,346	939,910
Buildings and Improvements	24,114,695	25,094,783
Furniture and Equipment	1,219,249	1,313,138
Vehicles	413,466	303,335
Books	199,222	118,545
Infrastructure	101,944	108,230
Totals	\$28,373,263	\$29,160,028

Changes in capital assets from the prior year resulted from additions, disposals and depreciation expense. The most significant change to capital assets was due to the current year depreciation. 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, 2007
(Unaudited)

Debt

At June 30, 2007, the School District had \$13,000 in bond anticipation notes outstanding. The School District also had \$6,925,891 in bonds, capital leases and certificates of participation outstanding at fiscal year end with \$284,050 due within one year. Table 5 summarizes the School District's outstanding debt:

Table 5
Outstanding Debt at Year End
Governmental Activities

	2007	2006
Bond Anticipation Notes	\$13,000	\$18,000
2000 Classroom Facilities Improvement - 5.73%	\$1,735,000	\$5,035,000
2007 General Obligation Refunding Bonds - 3.70%-4.00%	2,970,000	0
Premium	335,445	0
Accounting Loss	(240,796)	0
2007 Capital Appreciation Bonds - 16.99%	152,142	0
Total Long-Term Bonds and Loans	4,951,791	5,035,000
Capital Leases	51,100	94,683
Certificate of Participation Payable	1,923,000	1,441,000
Total General Long-Term Obligations	\$6,925,891	\$6,570,683

At June 30, 2007 the School District's overall legal debt margin was \$9,186,800 with an unvoted debt margin of \$156,020. For additional information regarding the debt of the School District, please see Notes 12 and 13 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 status 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/CFO, Bethel-Tate Local School District, 112 North Union Street, Bethel, Ohio 45106-1308.

Bethel Tate Local School District
Statement of Net Assets
June 30, 2007

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 4,410,672
Accrued Interest Receivable	14,373
Accounts Receivable	1,760
Intergovernmental Receivable	93,174
Taxes Receivable	3,634,409
Unamortized Bond Issuance Costs	78,118
Noncurrent Assets:	
Restricted Cash and Investments	430,780
Restricted Cash and Cash Equivalents with Fiscal Agents	502,174
Restricted Cash and Cash Equivalents with Escrow Agents	137,680
Non-Depreciable Capital Assets	1,300,341
Depreciable Capital Assets, net	27,072,922
<i>Total Assets</i>	37,676,403
 LIABILITIES:	
Current Liabilities:	
Accounts Payable	29,649
Accrued Wages and Benefits	1,306,465
Intergovernmental Payable	256,583
Accrued Interest Payable	19,777
Retainage Payable	137,680
Deferred Revenue	3,105,536
Notes Payable	13,000
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	338,208
Due in More Than One Year	7,421,952
<i>Total Liabilities</i>	12,628,850
 NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	22,014,632
Restricted for Debt Service	889,932
Restricted for Capital Outlay	885,117
Restricted for Other Purposes	462,960
Unrestricted	794,912
<i>Total Net Assets</i>	\$ 25,047,553

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	<u>Program Revenues</u>			Net(Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities				
Instruction:				
Regular	\$ 8,635,435	\$ 434,233	\$ 245,009	\$ (7,956,193)
Special	1,330,071	60,988	663,277	(605,806)
Vocational	120,468	8,132	-	(112,336)
Other	93,644	4,066	22,387	(67,191)
Support Services:				
Pupils	635,752	30,900	69,648	(535,204)
Instructional Staff	793,619	45,538	9,950	(738,131)
Board of Education	21,353	1,626	9,950	(9,777)
Administration	1,062,280	60,175	-	(1,002,105)
Fiscal	381,006	22,769	-	(358,237)
Operation and Maintenance of Plant	1,406,998	76,438	53,480	(1,277,080)
Pupil Transportation	844,735	57,735	441,323	(345,677)
Central	211,618	4,066	92,035	(115,517)
Operation of Non-Instructional Services	533,023	333,673	334,558	135,208
Extracurricular Activities	340,779	169,311	211,431	39,963
Interest & Fiscal Charges	338,255	5,692	68,455	(264,108)
<i>Total Governmental Activities</i>	<u>\$ 16,749,036</u>	<u>\$ 1,315,342</u>	<u>\$ 2,221,503</u>	(13,212,191)

General Revenues	
Grants and Entitlements not Restricted to Specific Programs	9,042,467
Investment Earnings	294,914
Miscellaneous	101,778
Property Taxes Levied for:	
General Purposes	2,458,549
Special Purposes	54,879
Debt Service	460,412
Capital Projects	<u>5,605</u>
<i>Total General Revenues</i>	<u>12,418,604</u>
Change in Net Assets	(793,587)
<i>Net Assets Beginning of Year</i>	<u>25,841,140</u>
<i>Net Assets End of Year</i>	<u>\$ 25,047,553</u>

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Equity in Pooled Cash and Investments	\$ 2,700,393	\$ 807,781	\$ 902,498	\$ 4,410,672
Intergovernmental Receivable	-	-	93,174	93,174
Taxes Receivable	3,020,131	555,256	59,022	3,634,409
Accrued Interest Receivable	14,373	-	-	14,373
Accounts Receivable	1,760	-	-	1,760
Restricted Assets:				
Cash and Investments	430,780	-	-	430,780
Cash and Cash Equivalents with Fiscal Agents	-	-	502,174	502,174
Cash and Cash Equivalents with Escrow Agents	-	-	137,680	137,680
<i>Total Assets</i>	<u>6,167,437</u>	<u>1,363,037</u>	<u>1,694,548</u>	<u>9,225,022</u>
LIABILITIES				
Accounts Payable	26,505	-	3,144	29,649
Accrued Wages and Benefits	1,211,371	-	95,094	1,306,465
Intergovernmental Payable	234,550	-	22,033	256,583
Retainage Payable	-	-	137,680	137,680
Deferred Revenue	2,697,231	494,056	115,146	3,306,433
Notes Payable	-	-	13,000	13,000
<i>Total Liabilities</i>	<u>4,169,657</u>	<u>494,056</u>	<u>386,097</u>	<u>5,049,810</u>
FUND BALANCES				
Reserved:				
Reserved for Encumbrances	115,176	-	18,635	133,811
Reserved for Property Taxes	322,900	61,200	6,400	390,500
Reserved for Textbooks and Instructional Materials	430,780	-	-	430,780
Unreserved, Undesignated, Reported in:				
General Fund	1,128,924	-	-	1,128,924
Special Revenue Funds	-	-	405,061	405,061
Debt Service Fund	-	807,781	-	807,781
Capital Projects Funds	-	-	878,355	878,355
<i>Total Fund Balances</i>	<u>1,997,780</u>	<u>868,981</u>	<u>1,308,451</u>	<u>4,175,212</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 6,167,437</u>	<u>\$ 1,363,037</u>	<u>\$ 1,694,548</u>	<u>\$ 9,225,022</u>

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007

Total Governmental Fund Balances		\$ 4,175,212
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.		28,373,263
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	141,034	
Intergovernmental	59,863	
Unamortized Financing Costs	78,118	
Total		279,015
Accrued interest payable on long-term debt is not reported in the funds.		(19,777)
Long-term liabilities, including bonds, certificates of participation, capital lease obligations, and the 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	(51,100)	
Compensated Absences	(834,269)	
Certificate of Participation 2005	(1,413,000)	
Certificate of Participation 2007	(510,000)	
General Obligation Refunding Bonds	(2,970,000)	
Capital Appreciation Bonds	(150,000)	
Accreted Debt from Capital Appreciation Bonds	(2,142)	
Unamortized Deferred Amount on Refunding	240,796	
General Obligation Bonds	(1,735,000)	
Premium from Refunding Bonds	(335,445)	
Total		(7,760,160)
Net Assets of Governmental Activities		\$ 25,047,553

See accompanying notes to the basic financial statements.

Bethel Tate Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,562,127	\$ 486,399	\$ 62,636	\$ 3,111,162
Intergovernmental	9,951,804	68,455	1,174,469	11,194,728
Interest	257,285	-	37,629	294,914
Tuition and Fees	642,445	-	-	642,445
Rent	7,760	-	-	7,760
Extracurricular Activities	6,390	-	168,498	174,888
Customer Sales and Services	156,576	-	333,673	490,249
Gifts and Donations	-	-	17,865	17,865
Miscellaneous	46,682	-	55,096	101,778
<i>Total Revenues</i>	<u>13,631,069</u>	<u>554,854</u>	<u>1,849,866</u>	<u>16,035,789</u>
Expenditures				
Current:				
Instruction:				
Regular	7,311,823	-	381,990	7,693,813
Special	1,020,069	-	304,294	1,324,363
Vocational	129,678	-	-	129,678
Other	74,288	-	34,696	108,984
Support Services:				
Pupils	513,045	-	108,564	621,609
Instructional Staff	755,851	-	15,619	771,470
Board of Education	21,353	-	-	21,353
Administration	1,004,164	-	15,256	1,019,420
Fiscal	379,927	-	896	380,823
Operation and Maintenance of Plant	1,297,565	-	81,662	1,379,227
Pupil Transportation	958,241	-	-	958,241
Central	64,507	-	143,540	208,047
Operation of Non-Instructional Services	-	-	520,512	520,512
Extracurricular Activities	19,006	-	330,391	349,397
Capital Outlay	9,298	-	93,752	103,050
Debt Service:				
Principal	71,583	180,000	-	251,583
Interest and Fiscal Charges	94,305	204,135	7,732	306,172
Issuance Costs	-	83,698	9,330	93,028
<i>Total Expenditures</i>	<u>13,724,703</u>	<u>467,833</u>	<u>2,048,234</u>	<u>16,240,770</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(93,634)</u>	<u>87,021</u>	<u>(198,368)</u>	<u>(204,981)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	7,250	-	-	7,250
Proceeds from Certificate of Participation	-	-	510,000	510,000
Proceeds from Sale of Refunding Bonds	-	3,175,000	-	3,175,000
Transfers In	-	-	460,839	460,839
Premium on Sale of Refunding Bonds	-	359,405	-	359,405
Payment to Refunded Bond Escrow Agent	-	(3,450,196)	-	(3,450,196)
Transfers Out	(295,587)	(82,626)	(82,626)	(460,839)
<i>Total Other Financing Sources(Uses)</i>	<u>(288,337)</u>	<u>1,583</u>	<u>888,213</u>	<u>601,459</u>
<i>Net Change in Fund Balances</i>	(381,971)	88,604	689,845	396,478
<i>Fund Balances Beginning of Year</i>	<u>2,379,751</u>	<u>780,377</u>	<u>618,606</u>	<u>3,778,734</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,997,780</u>	<u>\$ 868,981</u>	<u>\$ 1,308,451</u>	<u>\$ 4,175,212</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, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 396,478

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	584,755	
Current Year Depreciation	(1,355,391)	
Total	(770,636)	(770,636)

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. These are the amounts of the proceeds from the sale and the loss on the disposal of assets.

Proceeds from the Sale of Capital Assets	(7,250)	
Loss on Disposal of Capital Assets	(8,879)	
Total	(16,129)	(16,129)

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

Taxes	(131,717)	
Intergovernmental	51,377	
Total	(80,340)	(80,340)

Premiums on issuance of debt are recorded as revenues in the governmental funds but are not reported on the statement of activities. (359,405)

The amortization of premium from the sale of bonds is recorded as a reduction of liability in the statement of net assets, but does not result in an expenditure in the governmental funds. 23,960

Bond issuance costs are recorded as an expenditure in the governmental funds, but are recognized as an asset on the statement of net assets and are not recorded in the statement of activities. 93,028

The amortization of debt issuance costs are reported in the statement of activities but are not reported as expenditures in the governmental funds. (14,910)

Deferred amounts on refunding are included as expenditures in the funds, but are deferred and amortized over the life of the bonds in the government-wide financial statements. (34,400)

Payments to refunded bond escrow agent are report as other financing uses in the governmental funds, but the payment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 3,450,196

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. 180,000

Repayment of capital lease obligations 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. 43,583

Repayment of certificate of participation obligations 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. 28,000

Proceeds from the certificate of participation in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (510,000)

Proceeds from the sale of refunding bonds in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (3,175,000)

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	(41,279)	
Increase in Interest Payable	(4,591)	
Increase in Accreted Debt	(2,142)	

Total **(48,012)**

Net Change in Net Assets of Governmental Activities **\$ (793,587)**

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, 2007

	<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	\$ 14,387,327	\$ 14,778,073	\$ 13,902,278	\$ (875,795)
Total Expenditures and Other Uses	<u>15,305,087</u>	<u>15,084,460</u>	<u>14,389,007</u>	<u>695,453</u>
Net Change in Fund Balance	(917,760)	(306,387)	(486,729)	(180,342)
Fund Balance, July 1, 2006	3,294,181	3,294,181	3,294,181	-
Prior Year Encumbrances Appropriated	<u>191,229</u>	<u>191,229</u>	<u>191,229</u>	<u>-</u>
Fund Balance, June 30, 2007	<u>\$ 2,567,650</u>	<u>\$ 3,179,023</u>	<u>\$ 2,998,681</u>	<u>\$ (180,342)</u>

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Fiduciary Assets and Liabilities
June 30, 2007

	<u>Agency Fund</u>
ASSETS	
Current Assets:	
Equity in Pooled Cash and Investments	<u>\$ 48,074</u>
<i>Total Assets</i>	<u><u> 48,074</u></u>
LIABILITIES	
Current Liabilities:	
Due to Students	<u> 48,074</u>
<i>Total Liabilities</i>	<u><u>\$ 48,074</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, 2007

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 82 non-certificated employees, 122 certificated full-time teaching personnel and 13 administrative employees who provide services to 1,942 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative office, and 1 bus 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 which 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 six organizations, three of which are defined as jointly governed organizations, two as public entity risk pools, 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 Insurance Consortium, the Ohio School Plan, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations and the School District's participation are discussed in Notes 14, 15 and 16 to the Basic Financial Statements.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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.

Bond Retirement Fund

The Bond Retirement Fund is a fund provided for the retirement of serial bonds and short term debt. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund.

The other governmental funds of the School District account for grants and other resources 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. The District's agency funds are used to account for student managed activities.

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, 2007

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, 2007

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 5). 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, 2007, but which were levied to finance fiscal year 2008 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 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 and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. 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, 2007

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 2007.

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 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 \$294,914 in which \$257,285 was recorded in the General Fund and \$37,629 was recorded in the other governmental funds.

The School District records all its investments at fair value. For presentation on the financial statements, investments of the cash management pool are considered to be cash and investments. The School District has invested in Key Bank Mutual Funds, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, and Federal Home Loan Mortgage Corp Notes during fiscal year 2007.

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 \$1,000.

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 library books, 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:

Description	Estimated Lives
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, 2007

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 judgments, compensated absences, 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 18 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.

The government-wide statement of net assets reports \$2,238,009 in restricted net assets, none of which is restricted by enabling legislation.

Interfund Transactions

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

Fund Balance Reserves

Reserved fund balances indicate that portion of fund balance, 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, and textbooks and instructional materials. 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 balance 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.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. During fiscal year 2007, 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, 2007 have been restricted and are presented as "Restricted Cash and Cash Equivalents with Escrow Agents" and "Restricted Cash and Cash Equivalents with Fiscal Agents" on the financial statements.

The School District also had restricted cash and investments in the amount of \$430,780 held aside for the textbook and capital improvement reserves.

NOTE 3 - BUDGET TO GAAP RECONCILIATION

While the District is reporting financial position, results of operations and changes in fund balance 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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis), the General 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 (budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (GAAP basis).

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

Net Change in Fund Balance	
	General
GAAP Basis	(\$381,971)
Adjustments:	
Revenue Accruals	263,959
Expenditure Accruals	(235,105)
Encumbrances	(133,612)
Budget Basis	(\$486,729)

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 five-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 moneys may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made 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.

Deposits Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2007, the School District's bank balance of \$647,224 was either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above. The bank balance excludes Cash and Cash Equivalents with Fiscal Agents as it is held by a third party as a part of a cash pool.

Investments At June 30, 2007, the School District had the following investments:

Investment Type	Fair Value	1 year or less	1 to 2 years
Key Bank Mutual Fund	\$ 3,518,718	\$ 3,518,718	\$ -
FNMA Notes	299,484	149,906	149,578
FHLB Notes	1,032,338	733,088	299,250
FHLMC Notes	187,910	187,910	0
	<u>\$ 5,038,450</u>	<u>\$ 4,589,622</u>	<u>\$ 448,828</u>

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk. Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

In accordance with the School District's investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy places limitations on the types of investments the District may invest in. The District's policy authorizes investment in allowable securities as outlined in Ohio Revised Code Section 135. The District's investments in FNMA, FHLB, and FHLMC were each rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Key Bank Mutual Funds were rated A-2 by Standard & Poor's and A1 by Moody's Investor Services.

Concentration of Credit Risk. The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2007:

Investment Type	Fair Value	% of Total
Key Bank Mutual Fund	\$ 3,518,718	69.8%
FNMA Notes	299,484	5.9%
FHLB Notes	1,032,338	20.5%
FHLMC Notes	187,910	3.8%
	\$ 5,038,450	100%

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in 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 year 2007 for real and public utility property taxes represents collections of calendar year 2006 taxes. Property tax payments received during calendar year 2007 for tangible personal property (other than public utility property) are for calendar year 2006 taxes.

2007 real property taxes are levied after April 1, 2006 on the assessed value listed as of January 1, 2006, 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 prior year. Tangible personal property assessments are 25 percent of true value.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 – PROPERTY TAXES (Continued)

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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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, 2007. 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, 2007, was \$322,900 in the General Fund, \$61,200 in the Debt Service Fund, and \$6,400 in Other Governmental Funds.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$145,828,440	95.45%	\$149,888,020	96.07%
Public Utility	4,892,420	3.20%	4,666,860	3.00%
Tangible Personal Property	2,051,145	1.35%	1,465,123	.93%
Total Assessed Value	\$152,772,005	100.00%	\$156,020,003	100.00%
Tax rate per \$1,000 of Assessed valuation	\$38.04		\$37.59	

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 6 - RECEIVABLES

Receivables at June 30, 2007, 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:

	Receivable Amount
Non-major Special Revenue Funds:	
HSTW	\$ 188
CORE Grant	40,335
Title 1	19,713
Title V	2,661
Safe and Drug Free Schools	2,014
Title II-D	210
Food Service	28,053
Total Non-major Special Revenue Funds	\$ 93,174

NOTE 7 - 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 2007, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual participant enters into an agreement with OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays its annual premium to OSP (see Note 15). Coverage provided is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$42,474,616
Crime Insurance (\$1,000 deductible)	25,000
Automobile Liability (No deductible)	1,000,000
Uninsured Motorists (No deductible)	250,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. During fiscal year 2007, the District reviewed its insurance needs and adjusted coverage as it deemed appropriate.

For fiscal year 2007, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService Inc. 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, 2007

NOTE 7 - RISK MANAGEMENT (Continued)

For fiscal year 2007, the School District participated in the Clermont County Insurance Consortium (the Consortium), a public entity risk pool (Note 15), 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 8 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 6/30/2006	Additions	Deletions	Balance 6/30/2007
Governmental Activities				
Capital Assets, Not Being Depreciated				
Library Books	\$520,086	\$18,254	\$0	\$538,340
Land	762,001	0	0	762,001
Total Capital Assets, Not Being Depreciated	<u>1,282,087</u>	<u>18,254</u>	<u>0</u>	<u>1,300,341</u>
Capital Assets Being Depreciated				
Land Improvements	1,328,541	127,697	(3,212)	1,453,026
Buildings & Improvements	35,655,038	15,076	0	35,670,114
Furniture and Equipment	2,704,348	136,346	(96,930)	2,743,764
Vehicles	1,209,402	182,370	(220,498)	1,171,274
Books	245,021	105,012	0	350,033
Infrastructure	133,406	0	0	133,406
Total Capital Assets Being Depreciated	41,275,756	566,501	(320,640)	41,521,617
Less: Accumulated Depreciation				
Land Improvements	(388,631)	(43,261)	3,212	(428,680)
Buildings & Improvements	(10,560,255)	(995,164)	0	(11,555,419)
Furniture and Equipment	(1,391,210)	(214,106)	80,801	(1,524,515)
Vehicles	(906,067)	(72,239)	220,498	(757,808)
Books	(126,476)	(24,335)	0	(150,811)
Infrastructure	(25,176)	(6,286)	0	(31,462)
Total Accumulated Depreciation:	<u>(13,397,815)</u>	<u>(1,355,391)</u>	<u>304,511</u>	<u>(14,448,695)</u>
Total Capital Assets Being Depreciated, Net	<u>27,877,941</u>	<u>(788,890)</u>	<u>(16,129)</u>	<u>27,072,922</u>
Governmental Capital Assets, Net	<u>\$29,160,028</u>	<u>(\$770,636)</u>	<u>(\$16,129)</u>	<u>\$28,373,263</u>

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$	917,079
Special Instruction		2,219
Vocational Instruction		1,898
Other Instruction		1,903
Pupils		12,646
Instructional Staff		69,298
Administration		38,433
Fiscal		1,784
Operation and Maintenance of Plant		149,217
Pupil Transportation		79,434
Central		3,320
Extracurricular Activities		70,314
Operation of Non-Instructional Services		<u>7,846</u>
 Total Depreciation Expense	 \$	 <u><u>1,355,391</u></u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides basic retirement benefits 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 report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. For fiscal year 2007, 10.68% was the portion of the School District's contribution used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$188,821, \$234,849, and \$316,867, respectively; 68% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$60,697 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System

The School District contributed to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer defined benefit pension plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution, or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$923,857, \$866,684, and \$652,401, respectively; 90% has been contributed for fiscal year 2007 and 100% for fiscal years 2006 and 2005. \$94,266 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 10 - 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-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$67,696 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, (the latest information available) net health care costs paid by STRS Ohio were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, the School District contributed \$82,828 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants eligible to receive health care benefits.

NOTE 11 - 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 50 days.

B. Life Insurance

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 12 - SHORT-TERM OBLIGATIONS

As of June 30, 2007, the School District had \$13,000 in outstanding short-term obligation bond anticipation notes with an interest rate of 4.46%. During fiscal year 2007, the School District retired bond anticipation notes in the amount of \$18,000. The debt had been reported in the Permanent Improvement Capital Project Fund and paid from the Debt Service Fund. The notes were originally issued to purchase a building to house the District's administrative offices.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Amount Outstanding 6/30/06	Additions	Deductions	Amount Outstanding 6/30/07	Due in One Year
2000 Classroom Facilities Improvement - 5.73%	\$5,035,000	\$0	\$3,300,000	\$1,735,000	\$150,000
2007 General Obligation Refunding Bonds - 3.70%-4.00%	0	3,025,000	55,000	2,970,000	50,000
Premium	0	359,405	23,960	335,445	0
Accounting Loss	0	(275,196)	(34,400)	(240,796)	0
2007 Capital Appreciation Bonds - 16.99%	0	152,142	0	152,142	0
Total Long-Term Bonds	5,035,000	3,261,351	3,344,560	4,951,791	200,000
Capital Leases	94,683	0	43,583	51,100	47,050
Certificate of Participation Payable	1,441,000	510,000	28,000	1,923,000	37,000
Compensated Absences	792,990	834,269	792,990	834,269	54,158
Total General Long-Term Obligations	\$7,363,673	\$4,605,620	\$4,209,133	\$7,760,160	\$338,208

Classroom Facilities Improvement Bonds - On April 1, 2000, Bethel-Tate Local School District issued \$6,075,500 in unvoted 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. During fiscal year 2007, a portion of these bonds were refunded. The bonds will be retired from the debt service fund.

General Obligation Refunding Bonds - On August 30, 2006, Bethel-Tate Local School District issued \$3,175,000 in refunding bonds for the purpose of repaying a portion of the classroom facilities improvement bonds issued in 2000. The refunding bonds consisted of \$3,025,000 in current interest bonds and \$150,000 in capital appreciation bonds. The interest bonds were issued for a fifteen year period with a final maturity in December 2022. The capital appreciation bonds will mature in 2016 and 2017.

The serial bonds, issued at \$3,025,000 maturing on or after December 1, 2017, are subject to optional redemption, in whole or in part on any date at the option of the Issuer on or after June 1, 2017 at par, which is 100% of the face value of the Current Interest Refunding Bonds.

The capital appreciation bonds, issued at \$150,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2016 and 2017. The maturity amount of the capital appreciation bonds is \$705,000. For fiscal year 2007, the capital appreciation bonds were accreted \$2,142.

This refunding resulted in an accounting loss of \$275,196 which will be amortized over the remaining life of the refunded bonds.

Compensated absences will be paid from the fund from which the employees' salaries are paid, with the General Fund being the most significant.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	2000	2000	2007 Capital Appreciation Principal	2007 Current	2007 Current Interest
	Classroom Facilities Principal	Classroom Facilities Interest		Interest Bonds Principal	
2008	\$150,000	\$100,275	\$ -	\$50,000	\$120,826
2009	165,000	92,280	-	50,000	118,826
2010	200,000	82,922	-	50,000	116,826
2011	215,000	72,182	-	55,000	114,726
2012	240,000	58,732	-	55,000	112,526
2013-2017	765,000	74,646	705,000	185,000	323,378
2018-2022	-	-	-	2,205,000	304,425
2023	-	-	-	320,000	6,400
Total	\$1,735,000	\$481,037	\$705,000	\$2,970,000	\$1,217,933

The above amortization schedule for the 2007 Capital Appreciation Bonds does not agree with the amount outstanding on the previous page due to accretion of such bonds.

Capital Lease Obligation

During previous fiscal years, the District entered into capital leases for copiers and a postage machine. These leases meet 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 capital lease payments for all these leases will be classified as debt service in the General Fund in the fund financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. The capital assets acquired by the leases have been capitalized in the statement of net assets for governmental activities in the amount of \$203,131. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2007 totaled \$43,583. For the leased assets related to the Governmental Funds, a portion of the capital assets acquired by the lease have been capitalized in the government wide financial statements. The District's future minimum lease payments under capital lease obligations for Governmental Activities as of June 30, 2007 are as follows:

Fiscal Year Ending June 30,	Payments
2008	\$49,035
2009	1,800
2010	1,800
2011	450
	<u>53,085</u>
Less: Interest	<u>(1,985)</u>
Present Value of Minimum Lease Payments	<u>\$51,100</u>

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

Certificate of Participation

In a previous fiscal year, the School District entered into a certificate of participation 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. During fiscal year 2007, the School District has entered into a certificate of participation obligation for the construction of a new transportation facility. The School District is leasing the project from Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the certificate term. Columbus Regional Airport Authority has assigned US Bank as trustee. US Bank deposited \$510,000 in the School District's name with an escrow agent for the construction of the facility. Amounts will be paid to contractors by the School District as the work progresses. The School District will then submit the invoices to the agent for reimbursement. The School District will make semi-annual payments to US Bank. Principal payments in fiscal year 2007 totaled \$28,000 in the governmental funds.

The following table represents the payments required on the Certificate of Participation for the amount outstanding at June 30, 2007:

Fiscal Year Ending June 30, 2007	Principal	Interest	Total
2008	\$37,000	\$104,697	\$141,697
2009	38,000	102,786	140,786
2010	41,000	100,738	141,738
2011	42,000	98,609	140,609
2012	45,000	96,344	141,344
2013-2017	258,000	442,928	700,928
2018-2022	331,000	364,487	695,487
2023-2027	430,000	261,622	691,622
2028-2032	560,000	127,545	687,545
2033-2037	141,000	16,979	157,979
Total	<u>\$1,923,000</u>	<u>\$1,716,735</u>	<u>\$3,639,735</u>

The School District's voted legal debt margin was \$9,186,800 with an unvoted debt margin of \$156,020 at June 30, 2007.

NOTE 14 - 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 created 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, Patricia Patten, 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 \$54,558 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.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 15 - PUBLIC ENTITY RISK POOL

Clermont County Insurance Consortium - The Clermont County Insurance Consortium (the Consortium), 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 Consortium. The School District may terminate participation in the Consortium for the benefit of 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 Insurance Consortium at P.O. Box 526 Middletown, Ohio 45042.

Ohio School Plan - The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as, the president of Harcum-Shuett Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group Inc. is the administrator of OSP and is responsible for processing claims. Harcum-Shuett Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

NOTE 16 - INSURANCE PURCHASING POOL

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan - The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by the chamber of commerce. Sheakley UniService, the third party administrator, determines eligibility for the program using company claims and risk records provided by the State. Each year, the participating school districts pay an enrollment fee to Sheakley to cover the costs of administering the program.

NOTE 17 - 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, 2007.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 18 - 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 07/01/2006	\$445,758	\$25,563	\$471,321
Required Set-Aside	259,346	259,346	518,692
Qualifying Expenditures and Current Year Offset	(274,324)	(299,022)	(573,346)
Set-aside Balance Carried Forward to Future Years	430,780	(14,113)	416,667
Set-aside Reserve Balance as of June 30, 2007	\$430,780	\$0	\$430,780

NOTE 19 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2007, were as follows:

Fund	Transfer From	Transfer To
<i>Major Funds</i>		
General	\$295,587	\$0
Bond Retirement	82,626	0
<i>Non-Major Funds</i>		
Permanent Improvement	0	82,626
Classroom Facilities	82,626	82,626
EMIS	0	104,462
District Managed Activities	0	191,125
Total Non-Major Funds	82,626	460,839
Total	\$460,839	\$460,839

Transfers were made from the general fund to move unrestricted balances to support programs and projects accounted for in other funds. The Board approved monies to be transferred to the Ohio School Facilities Fund from the building project and it was then subsequently paid back to the Permanent Improvement Fund for the District's share of the project overage. The Board approved bond interest to be transferred to the Classroom Facilities fund from the bond retirement fund for the District's share of the project overage.

NOTE 20 – SUBSEQUENT EVENTS

On December 17, 2007, the Board of Education issued debt in the amount of \$500,000 through the OASBO expanded asset pooled financing program for the payment of the cost of a new transportation facility.

Bethel-Tate Local School District
Clermont County

Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
Food Donation	N/A	10.550	\$ -	\$ 65,374	\$ -	\$ 65,374
<i>Nutrition Cluster:</i>						
School Breakfast Program	PU	10.553	34,986	-	34,986	-
National School Lunch Program	LLP4	10.555	217,226	-	217,226	-
Total Nutrition Cluster			252,212	-	252,212	-
Total United States Department of Agriculture			252,212	65,374	252,212	65,374
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1S1	84.010	289,195	-	270,842	-
Special Education_Grants to States	6BSF	84.027	406,936	-	406,936	-
Vocational Education_Basic Grants to States	20A0	84.048	8,219	-	4,515	-
Safe and Drug Free Schools and Communities State Gran	DRS1	84.186	8,485	-	6,708	-
State Grants for Innovative Programs	C2S1	84.298	2,110	-	2,660	-
Education Technology State Grants	TJS1	84.318	5,120	-	5,822	-
Improving Teacher Quality State Grants	TRS1	84.367	78,084	-	78,084	-
Total United States Department of Education			798,149	-	775,567	-
Total Federal Financial Assistance			\$ 1,050,361	\$ 65,374	\$ 1,027,779	\$ 65,374

N/A - Not Available

See accompanying notes to the Schedule of Federal Awards Expenditures

BETHEL-TATE LOCAL SCHOOL DISTRICT
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007

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 DONATION

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

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, 2007, and have issued our report thereon dated December 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Bethel Tate Local School District

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Page 2

Compliance and Other Matters

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, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the School District in a separate letter dated December 28, 2007.

This report is intended solely for the information and use of the 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.
December 28, 2007

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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

Compliance

We have audited the compliance of Bethel Tate Local School District, Clermont County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. 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, 2007.

Members of the Board
Bethel Tate Local School District
Clermont County

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Page 2

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 School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School District's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, 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.
December 28, 2007

**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, 2007*

1. SUMMARY OF AUDITOR' S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any material weaknesses 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 significant internal control deficiencies reported for major federal programs?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(v)	Type of Major Program' s Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education – Grants to States CFDA# 84.027
(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
(CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007*

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



Mary Taylor, CPA
Auditor of State

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
FEBRUARY 7, 2008**