

Bethel Tate Local School District  
Clermont County, Ohio

Single Audit

July 1, 2009 through June 30, 2010  
Fiscal Year Audited Under GAGAS: 2010



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Dave Yost • Auditor of State

Board of Education  
Bethel-Tate Local School District  
675 West Plane 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, 2009 through June 30, 2010. 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.

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

Dave Yost  
Auditor of State

March 2, 2011

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**Bethel Tate Local School District**  
*Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

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### Independent Auditor's Report

Members of the Board  
Bethel-Tate Local School District  
675 West Plane Street  
Bethel, OH 45106

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel-Tate Local School District, (the School District), Clermont County, Ohio, as of and for the year ended June 30, 2010, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 Bethel-Tate Local School District, Clermont County, Ohio, as of June 30, 2010, and the respective changes in financial position and cash flows thereof, where applicable and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010, 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. 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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is 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. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 20 to the basic financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.



Balestra, Harr & Scherer, CPAs, Inc.

December 22, 2010

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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**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, 2010. 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, 2010 by \$22,185,707.
- The School District's net assets of governmental activities increased \$344,921.
- General revenues accounted for \$13,551,480 in revenue or 76 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,199,350 or 24 percent of total revenues of \$17,750,830.
- The School District had \$17,405,909 in expenses related to governmental activities; \$4,199,350 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.

**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.



**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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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 8. 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.

**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. 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.

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

**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, 2010 compared to 2009.

Table 1  
 Net Assets  
 Governmental Activities

	Governmental Activities	
	2010	2009
<b>Assets</b>		
Current and Other Assets	\$8,026,418	\$7,589,674
Capital Assets, Net	26,993,630	27,532,299
Total Assets	35,020,048	35,121,973
<b>Liabilities</b>		
Current and Other Liabilities	4,861,589	5,151,780
Long-Term Liabilities	7,972,752	8,129,407
Total Liabilities	12,834,341	13,281,187
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	19,624,517	20,442,483
Restricted	2,306,834	2,046,200
Unrestricted	254,356	(647,897)
Total Net Assets	\$22,185,707	\$21,840,786

Total net assets of the School District as a whole increased \$344,921. The decrease to capital assets, net is due primarily to the current year depreciation expense, which was partially offset by current year additions. The increase to current and other assets is to increases in equity in pooled cash and investments and intergovernmental receivables at June 30.

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010 compared to 2009.

Table 2  
Change in Net Assets  
Governmental Activities

	2010	2009
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 2,008,996	\$ 1,658,388
Operating Grants & Contributions	2,190,354	1,891,832
Total Program Revenues	4,199,350	3,550,220
General Revenues:		
Grants and Entitlements, Not Restricted to Specific Programs	9,653,908	9,653,204
Gifts and Donations, Not Restricted to Specific Programs	993	-
Investment Earnings	11,802	64,598
Miscellaneous	160,044	102,741
Gain on Sale of Capital Assets	21,513	-
Property Taxes	3,703,220	3,372,758
Total General Revenues	13,551,480	13,193,301
Total Revenues	17,750,830	16,743,521
Program Expenses		
Instruction		
Regular	8,771,869	8,864,590
Special	1,779,075	1,804,246
Vocational	150,681	299,248
Other	39,033	108,061
Support Services		
Pupils	602,035	687,508
Instructional Staff	599,248	814,502
Board of Education	9,764	56,855
Administration	1,177,621	1,161,057
Fiscal	368,079	394,283
Operation and Maintenance of Plant	1,533,432	1,583,184
Pupil Transportation	855,273	963,582
Central	147,414	166,884
Operation of Non-Instructional Services	555,126	556,017
Extracurricular Activities	403,768	414,767
Interest and Fiscal Charges	413,491	413,735
Total Expenses	17,405,909	18,288,519
Increase (Decrease) in Net Assets	344,921	(1,544,998)
Net Assets at Beginning of Year	21,840,786	23,385,784
Net Assets at End of Year	\$ 22,185,707	\$ 21,840,786

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

Charges for Services revenue increased due to the addition of pay to play fees at the School District during the current fiscal year as well as from increased revenues from open enrollment. Operating grants and contributions increased as a result of stimulus monies received by the School District. Property tax revenue increased due to the revaluation of assessed values. Interest revenue decreased as a result of declining interest rates. Regular instruction, vocational instruction, pupils, instructional staff, and pupil transportation have all decreased due to the School District's diligent monitoring of spending as well as a hiring and salary freeze that has lowered the staffing levels.

**Governmental Activities**

Unrestricted grants and entitlements comprised 54 percent of revenue for governmental activities of the Bethel-Tate Local School District for fiscal year 2010 and represent the largest source of revenue.

Property taxes comprised 21 percent of revenue for governmental activities of the School District for fiscal year 2010.

Operating grants and contributions and charges for services and sales comprised 12 percent and 11 percent of revenue for governmental activities, respectively, during 2010.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 62 percent of governmental program expenses with support services comprising 30 percent of governmental expenses. The Board of Education relies on State revenues 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

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 10,740,658	\$ 9,047,987	\$ 11,076,145	\$ 9,164,586
Support Services	5,292,866	3,930,647	5,827,855	5,043,511
Operation of Non-Instructional Services	555,126	(143,137)	556,017	175,319
Extracurricular Activities	403,768	(25,077)	414,767	15,265
Interest and Fiscal Charges	413,491	396,139	413,735	339,618
<b>Total Expenses</b>	<b>\$ 17,405,909</b>	<b>\$ 13,206,559</b>	<b>\$ 18,288,519</b>	<b>\$ 14,738,299</b>

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

**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 \$18,207,090 and expenditures and other financing uses of \$17,007,270. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased by \$893,689. This increase is primarily due to budget restrictions by the district that slowed spending.

The fund balance of the Bond Retirement Fund increased by \$106,045. This increase was primarily due to the revenues within the fund being higher than payments for debt.

**General Fund Budgeting Highlights**

The School District's budget is adopted at the fund level for all funds except the General Fund. Before the budget is adopted, the Board of Education reviews the detailed information supporting of each activity within the General Fund and then adopts the budget at the function level.

During 2010, there were revisions made to the General Fund budget. In part, the revisions increased revenues by \$845,113, primarily due to tax and intergovernmental revenue. Actual revenues were below final estimates in the amount of \$880,621 due mainly to tax and intergovernmental revenue. The revisions increased the appropriations by \$784,686. Final budgeted appropriations were \$734,505 above actual expenditures in the amount of \$13,366,169 due to the School District maintaining tight fiscal control over expenditures. The School District's ending unobligated cash balance was \$1,984,622.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2010, the School District had \$26,495,154 invested in its capital assets. Table 4 shows the fiscal year 2010 balances compared to 2009.

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

	Governmental Activities	
	2010	2009
Land	\$ 1,117,851	\$ 1,117,851
Library Books	594,334	594,334
Land Improvements	1,005,910	1,034,820
Buildings and Improvements	21,991,233	23,002,941
Furniture and Equipment	1,213,474	1,174,881
Vehicles	354,025	353,098
Books	134,359	164,651
Infrastructure	83,968	89,723
Totals	\$ 26,495,154	\$ 27,532,299

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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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 depreciation. For additional information regarding capital assets, please see Note 8 to the Basic Financial Statements.

**Debt**

At June 30, 2010, the School District had \$6,972,377 in bonds, capital leases and certificates of participation outstanding at fiscal year end with \$411,157 due within one year. Table 5 summarizes the School District's outstanding debt:

Table 5  
 Outstanding Debt at Year End  
 Governmental Activities

	2010	2009
2000 Classroom Facilities Improvement - 5.73%	\$ 1,220,000	\$ 1,420,000
2007 General Obligation Refunding Bonds - 3.7%-4.00%	2,820,000	2,870,000
Premium	263,565	287,525
Accounting Loss	(137,596)	(171,996)
2007 Capital Appreciation Bonds - 16.99%	251,740	211,937
Total Long-Term Bonds and Loans	4,417,709	4,617,466
Capital Leases	254,668	184,287
Certificate of Participation Payable	2,300,000	2,350,000
Total Long Term Debt	\$ 6,972,377	\$ 7,151,753

At June 30, 2010 the School District's overall legal debt margin was \$10,996,476 with an unvoted debt margin of \$168,739. For additional information regarding the debt of the School District, please see Note 11 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 M. Wells, Treasurer/CFO, Bethel-Tate Local School District, 675 West Plane Street, Bethel, Ohio 45106-1308.

**Bethel-Tate Local School District**  
*Statement of Net Assets*  
*June 30, 2010*

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 3,856,379
Accrued Interest Receivable	1,929
Intergovernmental Receivable	135,215
Taxes Receivable	3,971,517
Unamortized Bond Issuance Costs	61,378
Noncurrent Assets:	
Restricted Equity in Pooled Cash and Investments	498,476
Non-Depreciable Capital Assets	1,712,185
Depreciable Capital Assets, net	24,782,969
<i>Total Assets</i>	35,020,048
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	11,094
Accrued Wages and Benefits	1,311,535
Intergovernmental Payable	339,053
Accrued Interest Payable	18,841
Matured Compensated Absences Payable	24,371
Deferred Revenue	3,156,695
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	411,157
Due in More Than One Year	7,561,595
<i>Total Liabilities</i>	12,834,341
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	19,624,517
Restricted for Debt Service	1,263,586
Restricted for Capital Outlay	260,904
Restricted for Other Purposes	782,344
Unrestricted	254,356
<i>Total Net Assets</i>	\$ 22,185,707

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction:				
Regular	\$ 8,771,869	\$ 847,171	\$ 475,509	\$ (7,449,189)
Special	1,779,075	178,324	168,838	(1,431,913)
Vocational	150,681	17,018	2,070	(131,593)
Other	39,033	3,741	-	(35,292)
Support Services:				
Pupils	602,035	44,520	145,464	(412,051)
Instructional Staff	599,248	59,470	15,658	(524,120)
Board of Education	9,764	1,129	-	(8,635)
Administration	1,177,621	119,174	72,100	(986,347)
Fiscal	368,079	42,147	1,869	(324,063)
Operation and Maintenance of Plant	1,533,432	83,056	477,926	(972,450)
Pupil Transportation	855,273	77,070	120,470	(657,733)
Central	147,414	286	101,880	(45,248)
Operation of Non-Instructional Services	555,126	307,085	391,178	143,137
Extracurricular Activities	403,768	211,453	217,392	25,077
Interest and Fiscal Charges	413,491	17,352	-	(396,139)
<i>Total Governmental Activities</i>	<u>\$ 17,405,909</u>	<u>\$ 2,008,996</u>	<u>\$ 2,190,354</u>	(13,206,559)

<b>GENERAL REVENUES</b>		
Grants and Entitlements not Restricted to Specific Programs		9,653,908
Gifts and Donations not Restricted to Specific Programs		993
Investment Earnings		11,802
Miscellaneous		160,044
Gain on Sale of Capital Assets		21,513
Property Taxes Levied for:		
General Purposes		3,148,350
Special Purposes		58,358
Debt Service		496,512
<i>Total General Revenues</i>		<u>13,551,480</u>
Change in Net Assets		344,921
<i>Net Assets Beginning of Year</i>		<u>21,840,786</u>
<i>Net Assets End of Year</i>		<u>\$ 22,185,707</u>

See accompanying notes to the basic financial statements.



**Bethel-Tate Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2010*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Equity in Pooled Cash and Investments	\$ 1,543,390	\$ 1,154,007	\$ 1,158,982	\$ 3,856,379
Intergovernmental Receivable	7,345	-	127,870	135,215
Taxes Receivable	3,376,252	532,615	62,650	3,971,517
Accrued Interest Receivable	1,929	-	-	1,929
Interfund Receivable	22,249	-	-	22,249
Restricted Assets:				
Equity in Pooled Cash and Investments	498,476	-	-	498,476
<i>Total Assets</i>	<u>\$ 5,449,641</u>	<u>\$ 1,686,622</u>	<u>\$ 1,349,502</u>	<u>\$ 8,485,765</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 8,217	\$ -	\$ 2,877	\$ 11,094
Accrued Wages and Benefits	1,164,561	-	146,974	1,311,535
Interfund Payable	-	-	22,249	22,249
Intergovernmental Payable	275,125	-	63,928	339,053
Matured Compensated Absences Payable	24,371	-	-	24,371
Deferred Revenue	3,016,952	475,115	67,764	3,559,831
<i>Total Liabilities</i>	<u>4,489,226</u>	<u>475,115</u>	<u>303,792</u>	<u>5,268,133</u>
<b>FUND BALANCES</b>				
Reserved:				
Reserved for Encumbrances	80,475	-	14,194	94,669
Reserved for Property Taxes	359,300	57,500	6,700	423,500
Reserved for Textbooks and Instructional Materials	498,476	-	-	498,476
Unreserved, Undesignated, Reported in:				
General Fund	22,164	-	-	22,164
Special Revenue Funds	-	-	763,912	763,912
Debt Service Fund	-	1,154,007	-	1,154,007
Capital Projects Funds	-	-	260,904	260,904
<i>Total Fund Balances</i>	<u>960,415</u>	<u>1,211,507</u>	<u>1,045,710</u>	<u>3,217,632</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,449,641</u>	<u>\$ 1,686,622</u>	<u>\$ 1,349,502</u>	<u>\$ 8,485,765</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, 2010*

<b>Total Governmental Fund Balances</b>		\$ 3,217,632
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.		26,495,154
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	391,322	
Intergovernmental	11,814	
Unamortized Financing Costs	61,378	
Total		464,514
Accrued interest payable on long-term debt is not reported in the funds.		(18,841)
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	(254,668)	
Compensated Absences	(1,000,375)	
Certificates of Participation	(2,300,000)	
General Obligation Refunding Bonds	(2,820,000)	
Capital Appreciation Bonds	(150,000)	
Accreted Debt from Capital Appreciation Bonds	(101,740)	
Unamortized Deferred Amount on Refunding	137,596	
General Obligation Bonds	(1,220,000)	
Premium from Refunding Bonds	(263,565)	
Total		(7,972,752)
<b>Net Assets of Governmental Activities</b>		<b>\$ 22,185,707</b>

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, 2010*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 3,104,806	\$ 489,630	\$ 57,544	\$ 3,651,980
Intergovernmental	9,616,983	75,092	2,132,652	11,824,727
Interest	8,114	-	3,688	11,802
Tuition and Fees	1,487,186	-	-	1,487,186
Rent	6,808	-	-	6,808
Extracurricular Activities	-	-	207,917	207,917
Customer Sales and Services	-	-	307,085	307,085
Gifts and Donations	993	-	40,644	41,637
Miscellaneous	120,964	-	39,080	160,044
<i>Total Revenues</i>	<u>14,345,854</u>	<u>564,722</u>	<u>2,788,610</u>	<u>17,699,186</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	7,304,421	-	668,227	7,972,648
Special	1,540,113	-	234,984	1,775,097
Vocational	147,512	-	-	147,512
Other	32,347	-	2,881	35,228
Support Services:				
Pupils	384,937	-	202,452	587,389
Instructional Staff	512,119	-	21,792	533,911
Board of Education	9,764	-	-	9,764
Administration	1,036,328	-	100,347	1,136,675
Fiscal	367,696	-	1,905	369,601
Operation and Maintenance of Plant	712,029	-	665,161	1,377,190
Pupil Transportation	661,665	-	93,233	754,898
Central	2,470	-	141,793	144,263
Operation of Non-Instructional Services	393	-	541,704	542,097
Extracurricular Activities	29,872	-	302,560	332,432
Capital Outlay	247,849	-	810	248,659
Debt Service:				
Principal	98,198	250,000	-	348,198
Interest and Fiscal Charges	150,031	208,677	-	358,708
<i>Total Expenditures</i>	<u>13,237,744</u>	<u>458,677</u>	<u>2,977,849</u>	<u>16,674,270</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,108,110</u>	<u>106,045</u>	<u>(189,239)</u>	<u>1,024,916</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Assets	-	-	56,325	56,325
Transfers In	-	-	333,000	333,000
Inception of Capital Lease	118,579	-	-	118,579
Transfers Out	(333,000)	-	-	(333,000)
<i>Total Other Financing Sources(Uses)</i>	<u>(214,421)</u>	<u>-</u>	<u>389,325</u>	<u>174,904</u>
<i>Net Change in Fund Balances</i>	893,689	106,045	200,086	1,199,820
<i>Fund Balances Beginning of Year - As Restated, See Note 18</i>	<u>66,726</u>	<u>1,105,462</u>	<u>845,624</u>	<u>2,017,812</u>
<i>Fund Balances End of Year</i>	<u>\$ 960,415</u>	<u>\$ 1,211,507</u>	<u>\$ 1,045,710</u>	<u>\$ 3,217,632</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, 2010*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	1,199,820
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 capital asset additions exceeded depreciation in the current period.</p>		
Capital Asset Additions	362,252	
Current Year Depreciation	<u>(1,364,585)</u>	
Total		(1,002,333)
<p>Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of assets.</p>		
Proceeds from the Sale of Capital Assets	(56,325)	
Gain on Disposal of Capital Assets	<u>21,513</u>	
Total		(34,812)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	51,240	
Intergovernmental	<u>(21,109)</u>	
Total		30,131
<p>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.</p>		
		23,960
<p>The amortization of debt issuance costs are reported in the statement of activities but are not reported as expenditures in the governmental funds.</p>		
		(5,580)
<p>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.</p>		
		(34,400)
<p>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.</p>		
		250,000
<p>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.</p>		
		48,198
<p>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.</p>		
		50,000
<p>Proceeds from the inception of capital lease 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.</p>		
		(118,579)
<p>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.</p>		
Increase in Compensated Absences	(22,721)	
Decrease in Interest Payable	1,040	
Increase in Accreted Debt	<u>(39,803)</u>	
Total		<u>(61,484)</u>
<b>Net Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>344,921</u></b>

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, 2010*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$2,979,380	\$3,157,264	\$2,971,906	(\$185,358)
Intergovernmental	9,641,168	10,216,795	9,616,983	(599,812)
Interest	6,455	6,841	6,439	(402)
Tuition and Fees	1,490,926	1,579,942	1,487,186	(92,756)
Rent	6,825	7,233	6,808	(425)
Gifts and Donations	995	1,055	993	(62)
Miscellaneous	29,037	30,769	28,963	(1,806)
Total Revenues	<u>14,154,786</u>	<u>14,999,899</u>	<u>14,119,278</u>	<u>(880,621)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	8,146,409	7,726,690	7,457,406	269,284
Special	1,975,425	1,568,644	1,546,988	21,656
Vocational	160,645	179,215	177,769	1,446
Other	46,597	53,000	32,483	20,517
Support Services:				
Pupils	425,015	435,851	393,369	42,482
Instructional Staff	214,226	619,610	567,189	52,421
Board of Education	5,250	29,553	24,630	4,923
Administration	845,678	1,105,734	1,046,973	58,761
Fiscal	176,444	417,539	376,501	41,038
Operation and Maintenance of Plant	864,349	904,694	754,990	149,704
Pupil Transportation	278,499	850,190	778,538	71,652
Central	2,771	2,774	2,470	304
Extracurricular Activities	0	32,500	32,183	317
Debt Service:				
Principal	50,000	50,000	50,000	0
Interest	124,680	124,680	124,680	0
Total Expenditures	<u>13,315,988</u>	<u>14,100,674</u>	<u>13,366,169</u>	<u>734,505</u>
Excess of Revenues Under Expenditures	<u>838,798</u>	<u>899,225</u>	<u>753,109</u>	<u>(146,116)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Refund of Prior Year Expenditures	0	0	84,656	84,656
Advances In	0	0	51,322	51,322
Transfers Out	(362,280)	(841,254)	(333,000)	508,254
Total Other Financing Sources and Uses	<u>(362,280)</u>	<u>(841,254)</u>	<u>(197,022)</u>	<u>644,232</u>
Net Change in Fund Balances	476,518	57,971	556,087	498,116
Fund Balance at Beginning of Year	1,302,767	1,302,767	1,302,767	0
Prior Year Encumbrances Appropriated	125,768	125,768	125,768	0
Fund Balance at End of Year	<u>\$1,905,053</u>	<u>\$1,486,506</u>	<u>\$1,984,622</u>	<u>\$498,116</u>

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*June 30, 2010*

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Current Assets:	
Equity in Pooled Cash and Investments	<u>\$        61,704</u>
<i>Total Assets</i>	<u>                61,704</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Due to Students	<u>                61,704</u>
<i>Total Liabilities</i>	<u><u>                61,704</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, 2010*

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**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 1800s 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 66 non-certificated employees, 108 certificated full-time teaching personnel and 11 administrative employees who provide services to 1,964 students and other community members. The School District currently operates 4 instructional buildings, 1 Central Office/Transportation Building, and 1 maintenance garage.

*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 School District is not financially accountable for these organizations nor are they fiscally dependent on the School District.

- Boosters Clubs
- Parent-Teacher Organizations

The School District is associated with five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are the Hamilton/Clermont Cooperative Association/Unified Purchasing Association, the U.S. Grant Joint Vocational School, the Hamilton/Clermont Cooperative Association, the Clermont County Health Consortium, 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 12, 13 and 14 to the Basic Financial Statements.

**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.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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 School 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.

**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.



**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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, 2010*

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**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, 2010, but which were levied to finance fiscal year 2011 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, 2010*

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**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 function level for the General Fund and all other funds are 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 2010.

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 (Non-GAAP Budgetary Basis) 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 \$11,802 in which \$8,114 was recorded in the General Fund and \$3,688 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 and investments with original maturities of three month or less at the time they are purchased by the School District are presented as Equity in Pooled Cash and Investments on the financial statements. The School District has invested in a certificate of deposit, money market funds, STAROhio and U.S. Governmental Agency securities.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

During fiscal year 2010, the School District invested funds in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

The School District has recorded restricted cash in the basic financial statements for set asides for textbooks and instructional materials. This cash is recorded in the basic financial statements as "restricted equity in pooled cash and investments". For more information on these set asides, see Note 16.

**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 capital 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:

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

**Compensated Absences**

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

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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.

**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 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 16 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 \$2,306,834 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.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

**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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

**Restricted Assets**

Restricted assets in the general fund represent equity in pooled cash and cash equivalents whose use is limited by legal requirements.

The School District had restricted cash and investments in the amount of \$498,476 held aside for the textbooks and instructional materials.

**NOTE 3 - BUDGET TO GAAP RECONCILIATION**

While the School 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).

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE 3 - BUDGET TO GAAP RECONCILIATION (Continued)**

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	\$893,689
Adjustments:	
Revenue Accruals	(209,177)
Expenditure Accruals	(48,932)
Encumbrances	(79,493)
Budget Basis	\$556,087

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School 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 securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public 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, 2010, the School District's bank balance of \$2,034,732 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.



**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

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

*Investments* At June 30, 2010, the School District had the following investments:

Investment Type	Fair Value	Less Than One Year	1-2 Years
Money Market Funds	\$6,846	\$6,846	-
STAROhio	928,492	928,492	-
FHLB Notes	800,077	175,000	625,077
FFCB Notes	349,832	99,969	249,863
FNMA Notes	423,845	423,845	-
FHLMC Bonds	100,016	-	100,016
Total	<u>\$2,609,108</u>	<u>\$1,634,152</u>	<u>\$974,956</u>

*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 School District’s policy places limitations on the types of investments the School District may invest in. The School District’s policy authorizes investment in allowable securities as outlined in Ohio Revised Code Section 135. The School District’s investments in FHLB, FFCB, FNMA, and FHLMC were each rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The Money Market Funds were rated AAAM by Standard & Poor’s. STAR Ohio has been rated AAAM by Standard & Poor’s.

*Concentration of Credit Risk.* The School 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, 2010:

Investment Type	Fair Value	% of Total
Money Market Funds	\$6,846	0.3%
STAROhio	928,492	35.6%
FHLB Notes	800,077	30.7%
FFCB Notes	349,832	13.4%
FNMA Notes	423,845	16.2%
FHLMC Bonds	100,016	3.8%
Total	<u>\$2,609,108</u>	<u>100.0%</u>

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of the failure of the counterparty, the School 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 School District’s securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School 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.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**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 property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2010, and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property 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.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Clermont and Brown 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, 2010, are available to finance fiscal year 2010 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, 2010. 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, 2010, was \$359,300 in the General Fund, \$57,500 in the Debt Service Fund, and \$6,700 in Other Governmental Funds.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE 5 – PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 163,345,150	97.51%	\$ 164,582,210	97.54%
Public Utility	3,776,280	2.25%	3,955,800	2.34%
Tangible Personal Property	401,227	0.24%	200,613	0.12%
Total Assessed Value	<u>\$ 167,522,657</u>	<u>100.00%</u>	<u>\$ 168,738,623</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 37.01		\$ 37.01	

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2010, consisted of property taxes, interest, interfund, 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
General Fund	\$7,345
Non-major Special Revenue Funds:	
Title VI-B	45,910
Title I	74,383
Improving Teacher Quality	5,517
HSTW	2,060
Total Non-major Special Revenue Funds	<u>127,870</u>
Total Receivable	<u>\$135,215</u>

**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 2010, the School District contracted with Argonaut Insurance for coverage for liability, real property, building and contents, and vehicles. Vehicles policies include liability coverage for bodily injury and property damage. Coverage provided is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$41,082,300
Automobile Liability (No deductible)	1,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 7 - RISK MANAGEMENT** (continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District changed insurance companies from the previous fiscal year and evaluated coverages. This evaluation resulted in changes in coverage from the prior fiscal year, however the School District feels that the revised coverage amounts are adequate.

For fiscal year 2010, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). 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.

The School District is a member of the Clermont County Health Consortium, a public entity shared risk pool (Note 13), consisting of a number of school districts and an educational service center within the County offering health, dental, life and/or other insurance benefits to their employees. During fiscal year 2010, monthly premiums were paid to the Clermont County Health Consortium, who paid the claims on the School District's behalf. Monthly premiums are paid to the Clermont County Educational Service Center, as fiscal agent for the Clermont County Health Consortium, who in turns pays the claims on the School District's behalf. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, the School District shall have no obligation under the plan beyond paying a withdrawal fee in an amount equal to two months' premiums at the School District's then current rates. However, notification of termination from the Consortium must be at least one hundred eighty days prior to the July 1 anniversary date of the Consortium's health plan. Any claims and expenses through the anniversary date of the Consortium's health plan shall be paid from the funds of the Consortium.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 8 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Ending Balance 06/30/09	Additions	Deletions	Ending Balance 06/30/10
Governmental Activities				
Capital Assets, Not Being Depreciated				
Library Books	\$ 594,334	\$ -	\$ -	\$ 594,334
Land	1,117,851	-	-	1,117,851
Total Capital Assets, Not Being Depreciated	<u>1,712,185</u>	<u>-</u>	<u>-</u>	<u>1,712,185</u>
Capital Assets Being Depreciated				
Land Improvements	1,558,507	16,701	(2,256)	1,572,952
Buildings and Improvements	36,579,329	6,584	-	36,585,913
Furniture and Equipment	3,055,267	261,967	(78,756)	3,238,478
Vehicles	1,110,799	77,000	(54,540)	1,133,259
Books	374,407	-	-	374,407
Infrastructure	133,406	-	-	133,406
Total Capital Assets, Being Depreciated	<u>42,811,715</u>	<u>362,252</u>	<u>(135,552)</u>	<u>43,038,415</u>
Less Accumulated Depreciation:				
Land Improvements	(523,687)	(45,536)	2,181	(567,042)
Buildings and Improvements	(13,576,388)	(1,018,292)	-	(14,594,680)
Furniture and Equipment	(1,880,386)	(199,999)	55,381	(2,025,004)
Vehicles	(757,701)	(64,711)	43,178	(779,234)
Books	(209,756)	(30,292)	-	(240,048)
Infrastructure	(43,683)	(5,755)	-	(49,438)
Total Accumulated Depreciation	<u>(16,991,601)</u>	<u>(1,364,585)</u>	<u>100,740</u>	<u>(18,255,446)</u>
Total Capital Assets Being Depreciated, Net	<u>25,820,114</u>	<u>(1,002,333)</u>	<u>(34,812)</u>	<u>24,782,969</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,532,299</u>	<u>\$ (1,002,333)</u>	<u>\$ (34,812)</u>	<u>\$ 26,495,154</u>

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 8 – CAPITAL ASSETS (continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 898,650
Special	2,220
Vocational	3,535
Other	3,805
Support Services:	
Pupils	14,646
Instructional Staff	63,254
Administration	46,843
Fiscal	1,754
Operation and Maintenance of Plant	150,133
Pupil Transportation	95,657
Central	3,151
Operation of Non-Instructional Services	10,304
Extracurricular Activities	70,633
Total Depreciation Expense	<u>\$ 1,364,585</u>

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS which were allocated for pension and death benefits for the fiscal years ended June 30, 2010, 2009 and 2008 were \$247,185, \$250,571, and \$190,397, respectively; 62 percent of the required contribution has been made for fiscal year 2010 and 100 percent of the required contribution has been made for fiscal years 2009 and 2008. \$93,362 represents the unpaid contribution for fiscal year 2010 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, 2010*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)**

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2010, 2009, and 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$942,349, \$978,586, and \$923,762, respectively; 84 percent of the required contribution has been made for fiscal year 2010 and 100 percent of the required contribution has been made for fiscal years 2009 and 2008. \$154,162 represents the unpaid contribution for fiscal year 2010 and is recorded as a liability within the respective funds.

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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.



**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009, and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$71,719, \$71,802, and \$70,695 for fiscal years 2010, 2009, and 2008, respectively, which is equal to the contributions for each year.

**B. School Employees Retirement System**

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two post employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2010, 2009, and 2008, the actuarially required allocation was 0.76 percent, 0.75 percent, and 0.66 percent. For the School District, contributions for the years ended June 30, 2010, 2009, and 2008, were \$15,679, \$16,737, and \$14,681, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. At June 30, 2010, 2009, and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 percent, respectively. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2010, 2009, and 2008 fiscal years equaled \$40,113, \$131,453, and \$112,472, respectively, which is equal to the required amounts for those years.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**NOTE 11 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Principal Outstanding 06/30/09	Additions	Deductions	Principal Outstanding 06/30/10	Due in One Year
2000 Classroom Facilities Improvement Bonds 5.73%	\$ 1,420,000	\$ -	\$ 200,000	\$ 1,220,000	\$ 215,000
2007 General Obligation Refunding Bonds 3.70%-4.00%	2,870,000	-	50,000	2,820,000	55,000
Premium	287,525	-	23,960	263,565	-
Accounting Loss	(171,996)	-	(34,400)	(137,596)	-
Capital Appreciation Bonds 16.99%	211,937	39,803	-	251,740	-
<b>Total Long-Term Bonds</b>	<b>4,617,466</b>	<b>39,803</b>	<b>239,560</b>	<b>4,417,709</b>	<b>270,000</b>
Capital Leases	184,287	118,579	48,198	254,668	45,141
Certificate of Participation Payable	2,350,000	-	50,000	2,300,000	52,000
Compensated Absences	977,654	624,224	601,503	1,000,375	44,016
<b>Total Long-Term Obligations</b>	<b>\$ 8,129,407</b>	<b>\$ 782,606</b>	<b>\$ 939,261</b>	<b>\$ 7,972,752</b>	<b>\$ 411,157</b>

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

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

*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 2010, the capital appreciation bonds were accreted \$39,803. Total accretion as of June 30, 2010 was \$101,740.

This refunding resulted in an accounting loss of \$275,196 which is being 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.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	2000 Classroom Facilities Principal	2000 Classroom Facilities Interest	2007 Capital Appreciation Principal	2007 Current Interest Bonds Principal	2007 Current Interest Bonds Interest
2011	\$215,000	\$72,183	\$0	\$55,000	\$114,725
2012	240,000	58,732	0	55,000	112,525
2013	280,000	41,562	0	60,000	110,225
2014	230,000	24,605	0	60,000	107,825
2015	255,000	8,479	0	65,000	105,325
2016-2020	0	0	705,000	1,210,000	446,175
2021-2022	0	0	0	1,315,000	72,700
Total	<u>\$1,220,000</u>	<u>\$205,561</u>	<u>\$705,000</u>	<u>\$2,820,000</u>	<u>\$1,069,500</u>

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.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

**Capital Lease Obligation**

During previous fiscal years, the School District entered into capital leases for copiers and a postage machine. During the current fiscal year, the lease was upgraded as more equipment was added. 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 \$389,396. 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 2010 totaled \$48,198. 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 School District's future minimum lease payments under capital lease obligations for Governmental Activities as of June 30, 2010 are as follows:

Fiscal Year Ending June 30,	Payments
2011	\$65,478
2012	65,028
2013	65,028
2014	65,028
2015	<u>57,065</u>
	317,627
Less: Interest	<u>(62,959)</u>
Present Value of Minimum Lease Payments	<u>\$254,668</u>

**Certificates of Participation**

In previous fiscal years, the School District entered into certificates 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, and for the construction of a new transportation facility. During fiscal year 2006 and 2007, the School District entered into certificates of participation to finance the construction of a new Central Office/Transportation Building. The School District is leasing the projects 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 \$511,000 in the School District's name with an escrow agent for the construction of the facility. Amounts were paid to contractors by the School District as the work progressed. As of June 30, 2010 no retainage was owed to contractors. 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 2010 totaled \$50,000 in the governmental funds.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

**Certificates of Participation (Continued)**

The following table represents the payments required on the Certificate of Participation for the amount outstanding at June 30, 2010:

Fiscal Year Ending June 30:	Principal	Interest	Total
2011	\$52,000	\$120,033	\$172,033
2012	55,000	117,327	172,327
2013	58,000	114,463	172,463
2014	60,000	111,441	171,441
2015	63,000	108,259	171,259
2016-2020	365,000	487,757	852,757
2021-2025	470,000	379,136	849,136
2026-2030	607,000	238,213	845,213
2031-2035	451,000	74,161	525,161
2036-2038	119,000	5,448	124,448
Total	<u>\$2,300,000</u>	<u>\$1,756,238</u>	<u>\$4,056,238</u>

The School District's voted legal debt margin was \$10,996,476 with an unvoted debt margin of \$168,739 at June 30, 2010.

**NOTE 12 - 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 37 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 \$62,531 for services provided during the year. Financial information can be obtained from the H/CCA of Boards of Education, Al Porter, Executive 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, 2010*

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**NOTE 13 - PUBLIC ENTITY SHARED RISK POOL**

*Clermont County Health Consortium* - The School District is a member of the Clermont County Health Consortium, a public entity shared risk pool. A number of Clermont County school districts and the Clermont County Educational Service Center have entered into an agreement to form the Clermont County Health Consortium. The overall objectives of the Consortium are to formulate and administer a program of health, dental, life and/or other insurance benefits for the Consortium members' employees and their dependents. The Consortium's business and affairs are managed by a Board of Directors, consisting of the superintendents (or their designee) from each of the participating school districts and the educational service center.

The School District pays premiums based on what the Consortium estimates will cover the costs of all claims for which the Consortium is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The Consortium views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the current fiscal agent, Clermont County Educational Service Center at 2400 Clermont Center Drive, Suite 100, Batavia, Ohio 45103.

**NOTE 14 – INSURANCE PURCHASING POOLS**

*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 15 - CONTINGENCIES**

**A. Litigation**

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims 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, 2010.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 16 -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
Set Aside Reserve Balance June 30, 2009July 01, 2009	\$433,310	\$0
Required Set-Aside	283,022	283,022
Current Year Offset	0	(283,022)
Current Year Qualifying Expenditures	(217,856)	0
Total	\$498,476	\$0
Balance Carried Forward to Fiscal Year 2011	\$498,476	\$0
Set Aside Reserve Balance June 30, 2010	\$498,476	\$0

The School District had offsets during the year that reduced the set-aside amount to zero in the Capital Acquisition Reserve. The carryover amount in the Capital Acquisition Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$247,193 at June 30, 2010.

**NOTE 17 – INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2010, were as follows:

Fund	Transfer From	Transfer To
<i>Major Fund</i>		
General	\$333,000	\$-
<i>Non-Major Funds</i>		
EMIS	-	140,000
District Managed Activities	-	193,000
Total Non-Major Funds	-	333,000
Total	\$333,000	\$333,000

Transfers were made from the General Fund to move unrestricted balances to support programs and projects accounted for in other funds.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE 17 – INTERFUND ACTIVITY (Continued)**

**Interfund Balances**

Interfund balances at June 30, 2010, consist of the following individual fund receivables and payables:

	Due From Other Funds	Due to Other Funds
Major Fund:		
General	\$22,249	\$0
Non Major Funds:		
Title VI-B	0	21,654
Title I	0	595
Total Non Major Funds	0	22,249
Total	\$22,249	\$22,249

The amounts due to the General fund are the result of the School District moving unrestricted monies to support funds whose grants operate on a reimbursement basis. The General fund will be reimbursed when funds become available in the non-major special revenue funds.

**NOTE 18 – RESTATEMENT OF NET ASSETS/FUND BALANCE**

The interfund payable and receivable as of June 30, 2009 was understated. Fund balances for the General Fund and Other Governmental Funds as of July 1, 2009 were restated to correct this accounting error. The restatement had the following effect on fund balances:

	General	Other Governmental
Balance as of June 30, 2009	\$35,995	\$876,355
Restatement amount	30,731	(30,731)
Restated Balance as of July 1, 2009	\$66,726	\$845,624

**NOTE 19 – ACCOUNTABILITY**

At June 30, 2010, the EMIS, Title VI-B, ARRA, Chapter I, and Reducing Class Size Funds had fund balance deficits of \$9,221, \$505, \$10,142, \$7,702, and \$2,445, respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.



**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES**

For 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments,” Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,” and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.”

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the School District’s basic financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District’s basic financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District’s basic financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District’s basic financial statements.

Bethel-Tate Local School District  
Clermont County

Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 46,133	\$ -	\$ 46,133	\$ -
National School Lunch Program	3L60	10.555	260,049	37,264	260,049	37,264
Total Nutrition Cluster			<u>306,182</u>	<u>37,264</u>	<u>306,182</u>	<u>37,264</u>
<b>Total United States Department of Agriculture</b>			306,182	37,264	306,182	37,264
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster</i>						
Title I Grants to Local Education Agencies	3M00	84.010	311,832	-	335,672	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	135,808	-	134,343	-
Total Title I, Part A Cluster			<u>447,640</u>	<u>-</u>	<u>470,015</u>	<u>-</u>
<i>Special Education Cluster:</i>						
Special Education_Grants to States	3M20	84.027	350,712	-	350,712	-
ARRA - Special Education Grants to States, Recovery Act	3DJ0	84.391	157,788	-	179,442	-
Total Special Education Cluster			<u>508,500</u>	<u>-</u>	<u>530,154</u>	<u>-</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recover Act	GRF	84.394	611,147	-	611,147	-
Safe & Drug Free Schools and Communities_State Grants	3D10	84.186	9,052	-	6,807	-
State Grants for Innovative Programs	C2S1	84.298	-	-	149	-
Education Technology State Grants	3S20	84.318	3,400	-	3,740	-
Improving Teacher Quality State Grants	3Y60	84.367	65,873	-	63,396	-
<b>Total United States Department of Education</b>			1,645,612	-	1,685,408	-
<b>Total Federal Financial Assistance</b>			<u>\$ 1,951,794</u>	<u>\$ 37,264</u>	<u>\$ 1,991,590</u>	<u>\$ 37,264</u>

N/A - Not Available

See accompanying notes to the Schedule of Federal Awards Expenditures

***Bethel-Tate Local School District***  
*Notes to the Schedule of Federal Awards Receipts and Expenditures*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and 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 DONATIONS**

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

Cash receipts from the U.S. Department of Agriculture are comingled with State grants. It is assumed federal monies are expended first.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Bethel-Tate Local School District  
675 West Plane Street  
Bethel, OH 45106

To the Board of Education:

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, Clermont County (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 22, 2010, wherein we noted that the School District implemented GASB Statements No. 51, No. 53, No. 57, and No. 58. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**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 opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, members of the Board, federal awarding agencies and pass-through entities and others within the School District. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
December 22, 2010



**Report on Compliance With Requirements Applicable to Each Major Federal Program and  
on Internal Control Over Compliance Required by OMB Circular A-133**

Bethel-Tate Local School District  
675 West Plane Street  
Bethel, OH 45106

To the Board of Education:

**Compliance**

We have audited the compliance of the Bethel-Tate Local School District, Clermont County (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 could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2010. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 the Comptroller General of the United States' *Government Auditing Standards*, 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Bethel-Tate Local School District, Clermont County, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

**Internal Control Over Compliance (Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

We intend this report solely for the information and use of, management, members of the Board, others within the School District, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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 22, 2010

**Bethel-Tate Local School District**  
*Schedule of Findings*  
*OMB Circular A-133 Section .505*  
*June 30, 2010*

Summary of Auditor's Results
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant control deficiencies conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under Section .510?	No
<i>(d)(1)(vii)</i>	Major Program(s) (list):	Title 1, CFDA # 84.010 and 84.389, Special Education Cluster, CFDA #84.027 and 84.391, State Fiscal Stabilization Fund CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.





# Dave Yost • 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  
MARCH 15, 2011**