



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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BETHEL-TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011  
Fiscal Year Audited Under GAGAS: 2011





# 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, 2010 through June 30, 2011. 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

December 14, 2011

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**BETHEL-TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel-Tate Local School District, Clermont County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 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 Bethel-Tate Local School District, Clermont County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof, and the 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 October 21, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information 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. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. 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 18 to the financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

  
Balestra, Harr & Scherer, CPAs, Inc.  
October 21, 2011



**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(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, 2011. 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, 2011 by \$21,683,905.
- The School District's net assets of governmental activities decreased \$496,933.
- General revenues accounted for \$13,350,263 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 \$4,288,153 or 24 percent of total revenues of \$17,638,416.
- The School District had \$18,135,349 in expenses related to governmental activities; \$4,288,153 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, 2011*  
*(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 major 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. 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. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The School District's fiduciary funds consist of a private purpose trust fund and an agency fund which are used to maintain financial activity of the School District's college scholarship donations and student managed activities.

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(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, 2011 compared to 2010.

Table 1  
 Net Assets  
 Governmental Activities

	Governmental Activities	
	2011	2010*
<b>Assets</b>		
Current and Other Assets	\$8,834,555	\$8,520,025
Capital Assets, Net	25,217,035	26,495,154
Total Assets	34,051,590	35,015,179
<b>Liabilities</b>		
Current and Other Liabilities	4,594,514	4,861,589
Long-Term Liabilities	7,773,171	7,972,752
Total Liabilities	12,367,685	12,834,341
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	18,608,855	19,846,739
Restricted	2,369,095	2,303,87
Unrestricted	705,955	476,578
Total Net Assets	\$21,683,905	\$22,180,838

\*As restated, see Note 18 for additional information.

Total net assets of the School District as a whole decreased \$496,933. 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, taxes receivable, and intergovernmental receivables at June 30. Current and Other Liabilities decreased primarily due to a decrease in deferred revenue. Long-Term Liabilities decreased due to current year principal payments made by the School District.

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011 compared to 2010.

Table 2  
Change in Net Assets  
Governmental Activities

	<u>2011</u>	<u>2010*</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 1,935,103	\$ 2,008,996
Operating Grants & Contributions	2,353,050	2,190,354
Total Program Revenues	<u>4,288,153</u>	<u>4,199,350</u>
General Revenues:		
Grants and Entitlements, Not Restricted to Specific Programs	9,333,275	9,653,908
Gifts and Donations, Not Restricted to Specific Programs	6,278	993
Investment Earnings	9,101	11,802
Miscellaneous	88,612	160,044
Gain on Sale of Capital Assets	-	21,513
Property Taxes	<u>3,912,997</u>	<u>3,703,220</u>
Total General Revenues	<u>13,350,263</u>	<u>13,551,480</u>
Total Revenues	17,638,416	17,750,830
Program Expenses		
Instruction		
Regular	9,281,587	8,771,869
Special	1,619,296	1,779,075
Vocational	170,826	150,681
Other	29,308	39,033
Support Services		
Pupils	635,424	602,035
Instructional Staff	763,951	599,248
Board of Education	32,126	9,764
Administration	1,096,936	1,177,621
Fiscal	417,687	368,079
Operation and Maintenance of Plant	1,574,851	1,533,432
Pupil Transportation	871,768	855,273
Central	161,696	147,414
Operation of Non-Instructional Services	613,388	555,126
Extracurricular Activities	442,903	403,768
Interest and Fiscal Charges	<u>423,602</u>	<u>413,491</u>
Total Expenses	<u>18,135,349</u>	<u>17,405,909</u>
Increase (Decrease) in Net Assets	(496,933)	344,921
Net Assets at Beginning of Year	<u>22,180,838</u>	<u>21,835,917</u>
Net Assets at End of Year	<u>\$ 21,683,905</u>	<u>\$ 22,180,838</u>

\* As restated, see Note 18 for additional information.

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

Operating grants and contributions increased as a result of Title I and IDEA Special Education monies received by the School District. Grants and entitlements not restricted to specific programs decreased due to open enrollment. Property taxes increased due to the amount available for advance to the School District. Regular instruction increased to the School District purchasing a reading series of textbooks.

**Governmental Activities**

Unrestricted grants and entitlements comprised 53 percent of revenue for governmental activities of the Bethel-Tate Local School District for fiscal year 2011 and represent the largest source of revenue.

Property taxes comprised 22 percent of revenue for governmental activities of the School District for fiscal year 2011.

Operating grants and contributions and charges for services and sales comprised 13 percent and 11 percent of revenue for governmental activities, respectively, during 2011.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 61 percent of governmental program expenses with support services comprising 31 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

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 11,101,017	\$ 9,436,696	\$ 10,740,658	\$ 9,047,987
Support Services	5,554,439	4,257,593	5,292,866	3,930,647
Operation of Non-Instructional Services	613,388	(136,483)	555,126	(143,137)
Extracurricular Activities	442,903	(42,267)	403,768	(25,077)
Interest and Fiscal Charges	423,602	331,657	413,491	396,139
<b>Total Expenses</b>	<b>\$ 18,135,349</b>	<b>\$ 13,847,196</b>	<b>\$ 17,405,909</b>	<b>\$ 13,206,559</b>

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(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 \$18,000,311 and expenditures and other financing uses of \$17,462,003. 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 \$415,468. This increase is primarily due to budget restrictions by the School District that slowed spending.

The fund balance of the Bond Retirement Fund increased by \$115,667. 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 2011, there were revisions made to the General Fund budget. In part, the revisions decreased revenues by \$86,062, primarily due to tax and intergovernmental revenue. Actual revenues and other financing sources were below final estimates in the amount of \$323. The revisions increased the appropriations by \$373,021. Final budgeted appropriations were \$638,621 above actual expenditures due to the School District maintaining tight fiscal control over expenditures. The School District's ending unobligated cash balance was \$1,321,958.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2011, the School District had \$25,217,035 invested in its capital assets. Table 4 shows the fiscal year 2011 balances compared to 2010.

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

	Governmental Activities	
	2011	2010
Land	\$ 1,117,851	\$ 1,117,851
Library Books	594,334	594,334
Land Improvements	964,467	1,005,910
Buildings and Improvements	20,995,964	21,991,233
Furniture and Equipment	1,047,788	1,213,474
Vehicles	310,523	354,025
Books	107,895	134,359
Infrastructure	78,213	83,968
	\$ 25,217,035	\$ 26,495,154

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

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, 2011, the School District had \$6,757,199 in bonds, capital leases and certificates of participation outstanding at fiscal year end with \$413,713 due within one year. Table 5 summarizes the School District's outstanding debt:

Table 5  
 Outstanding Debt at Year End  
 Governmental Activities

	2011	2010
2000 Classroom Facilities Improvement - 5.73%	\$ 1,005,000	\$ 1,220,000
2007 General Obligation Refunding Bonds - 3.7%-4.00%	2,765,000	2,820,000
Premium	237,893	263,565
Accounting Loss	(98,282)	(137,596)
2007 Capital Appreciation Bonds - 16.99%	150,000	150,000
Accretion on Capital Appreciation Bonds	149,019	101,740
Total Long-Term Bonds and Loans	4,208,630	4,417,709
Capital Leases	300,569	254,668
Certificate of Participation Payable	2,248,000	2,300,000
Total Long Term Debt	\$ 6,757,199	\$ 6,972,377

At June 30, 2011 the School District's overall legal debt margin was \$9,066,385 with an unvoted debt margin of \$169,271. 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, 2011*

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 4,185,718
Accrued Interest Receivable	1,934
Intergovernmental Receivable	192,427
Taxes Receivable	4,022,028
Unamortized Bond Issuance Costs	55,400
Noncurrent Assets:	
Restricted Equity in Pooled Cash and Investments	377,048
Non-Depreciable Capital Assets	1,712,185
Depreciable Capital Assets, net	23,504,850
<i>Total Assets</i>	34,051,590
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	14,504
Accrued Wages and Benefits	1,367,594
Intergovernmental Payable	398,849
Accrued Interest Payable	17,713
Matured Compensated Absences Payable	71,977
Deferred Revenue	2,723,877
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	449,419
Due in More Than One Year	7,323,752
<i>Total Liabilities</i>	12,367,685
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	18,608,855
Restricted for Debt Service	1,380,300
Restricted for Capital Outlay	251,707
Restricted for Lunchroom Services	419,535
Restricted for Other Purposes	317,553
Unrestricted	705,955
<i>Total Net Assets</i>	\$ 21,683,905

See accompanying notes to the basic financial statements.



**Bethel-Tate Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	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	\$ 9,281,587	\$ 782,823	\$ 565,912	\$ (7,932,852)
Special	1,619,296	147,452	147,940	(1,323,904)
Vocational	170,826	17,523	-	(153,303)
Other	29,308	2,671	-	(26,637)
Support Services:				
Pupils	635,424	49,882	102,678	(482,864)
Instructional Staff	763,951	69,320	31,159	(663,472)
Board of Education	32,126	3,358	-	(28,768)
Administration	1,096,936	99,807	68,189	(928,940)
Fiscal	417,687	43,295	1,283	(373,109)
Operation and Maintenance of Plant	1,574,851	85,468	436,023	(1,053,360)
Pupil Transportation	871,768	70,757	122,761	(678,250)
Central	161,696	97	112,769	(48,830)
Operation of Non-Instructional Services	613,388	311,353	438,518	136,483
Extracurricular Activities	442,903	247,070	238,100	42,267
Interest and Fiscal Charges	423,602	4,227	87,718	(331,657)
<i>Total Governmental Activities</i>	<u>\$ 18,135,349</u>	<u>\$ 1,935,103</u>	<u>\$ 2,353,050</u>	(13,847,196)

<b>GENERAL REVENUES</b>	
Grants and Entitlements not Restricted to Specific Programs	9,333,275
Gifts and Donations not Restricted to Specific Programs	6,278
Investment Earnings	9,101
Miscellaneous	88,612
Property Taxes Levied for:	
General Purposes	3,343,245
Special Purposes	62,116
Debt Service	507,636
<i>Total General Revenues</i>	<u>13,350,263</u>
Change in Net Assets	(496,933)
<i>Net Assets Beginning of Year - As Restated, See Note 18</i>	<u>22,180,838</u>
<i>Net Assets End of Year</i>	<u>\$ 21,683,905</u>

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2011*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Equity in Pooled Cash and Investments	\$ 1,871,608	\$ 1,212,174	\$ 1,101,936	\$ 4,185,718
Intergovernmental Receivable	9,322	-	183,105	192,427
Taxes Receivable	3,442,811	515,398	63,819	4,022,028
Accrued Interest Receivable	1,934	-	-	1,934
Interfund Receivable	61,466	-	-	61,466
Restricted Assets:				
Equity in Pooled Cash and Investments	377,048	-	-	377,048
<i>Total Assets</i>	<u>\$ 5,764,189</u>	<u>\$ 1,727,572</u>	<u>\$ 1,348,860</u>	<u>\$ 8,840,621</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 12,631	\$ -	\$ 1,873	\$ 14,504
Accrued Wages and Benefits	1,206,528	-	161,066	1,367,594
Interfund Payable	-	-	61,466	61,466
Intergovernmental Payable	336,532	-	62,317	398,849
Matured Compensated Absences Payable	68,625	-	3,352	71,977
Deferred Revenue	2,689,511	400,398	85,251	3,175,160
<i>Total Liabilities</i>	<u>4,313,827</u>	<u>400,398</u>	<u>375,325</u>	<u>5,089,550</u>
<b>FUND BALANCES</b>				
Restricted	377,048	1,327,174	973,535	2,677,757
Assigned	165,877	-	-	165,877
Unassigned	907,437	-	-	907,437
<i>Total Fund Balances</i>	<u>1,450,362</u>	<u>1,327,174</u>	<u>973,535</u>	<u>3,751,071</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,764,189</u>	<u>\$ 1,727,572</u>	<u>\$ 1,348,860</u>	<u>\$ 8,840,621</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, 2011*

<b>Total Governmental Fund Balances</b>		\$ 3,751,071
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.		25,217,035
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	35,315	
Intergovernmental	415,968	
Unamortized Financing Costs	55,400	
Total		506,683
Accrued interest payable on long-term debt is not reported in the funds.		(17,713)
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	(300,569)	
Compensated Absences	(1,015,972)	
Certificates of Participation	(2,248,000)	
General Obligation Refunding Bonds	(2,765,000)	
Capital Appreciation Bonds	(150,000)	
Accreted Debt from Capital Appreciation Bonds	(149,019)	
Unamortized Deferred Amount on Refunding	98,282	
General Obligation Bonds	(1,005,000)	
Premium from Refunding Bonds	(237,893)	
Total		(7,773,171)
<b>Net Assets of Governmental Activities</b>		<b>\$ 21,683,905</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, 2011*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 3,320,080	\$ 506,589	\$ 61,682	\$ 3,888,351
Intergovernmental	9,297,387	73,777	2,269,974	11,641,138
Interest	7,786	-	1,315	9,101
Tuition and Fees	1,374,750	-	-	1,374,750
Rent	6,654	-	-	6,654
Extracurricular Activities	53,957	-	188,389	242,346
Customer Sales and Services	-	-	311,353	311,353
Gifts and Donations	6,278	-	21,686	27,964
Miscellaneous	62,778	-	25,834	88,612
<i>Total Revenues</i>	<u>14,129,670</u>	<u>580,366</u>	<u>2,880,233</u>	<u>17,590,269</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	7,524,823	-	738,463	8,263,286
Special	1,419,411	-	206,934	1,626,345
Vocational	143,310	-	-	143,310
Other	25,551	-	-	25,551
Support Services:				
Pupils	479,644	-	143,624	623,268
Instructional Staff	602,095	-	39,011	641,106
Board of Education	32,126	-	-	32,126
Administration	1,039,242	-	95,381	1,134,623
Fiscal	419,151	-	1,794	420,945
Operation and Maintenance of Plant	813,959	-	610,682	1,424,641
Pupil Transportation	685,199	-	106,406	791,605
Central	928	-	145,237	146,165
Operation of Non-Instructional Services	-	-	601,915	601,915
Extracurricular Activities	51,818	-	333,048	384,866
Capital Outlay	151,466	-	11,313	162,779
Debt Service:				
Principal	50,606	270,000	38,795	359,401
Interest and Fiscal Charges	40,435	194,699	122,697	357,831
<i>Total Expenditures</i>	<u>13,479,764</u>	<u>464,699</u>	<u>3,195,300</u>	<u>17,139,763</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>649,906</u>	<u>115,667</u>	<u>(315,067)</u>	<u>450,506</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Assets	4,500	-	-	4,500
Transfers In	-	-	322,240	322,240
Inception of Capital Lease	83,302	-	-	83,302
Transfers Out	(322,240)	-	-	(322,240)
<i>Total Other Financing Sources(Uses)</i>	<u>(234,438)</u>	<u>-</u>	<u>322,240</u>	<u>87,802</u>
<i>Net Change in Fund Balances</i>	415,468	115,667	7,173	538,308
<i>Fund Balances Beginning of Year - As Restated, See Note 18</i>	<u>1,034,894</u>	<u>1,211,507</u>	<u>966,362</u>	<u>3,212,763</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,450,362</u>	<u>\$ 1,327,174</u>	<u>\$ 973,535</u>	<u>\$ 3,751,071</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, 2011*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	538,308
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.		
Capital Asset Additions	162,779	
Current Year Depreciation	<u>(1,428,215)</u>	
Total		(1,265,436)
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.		
Proceeds from the Sale of Capital Assets	(4,500)	
Loss on Disposal of Capital Assets	<u>(8,183)</u>	
Total		(12,683)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	24,646	
Intergovernmental	<u>23,501</u>	
Total		48,147
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.		
		25,672
The amortization of debt issuance costs are reported in the statement of activities but are not reported as expenditures in the governmental funds.		
		(5,978)
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.		
		(39,314)
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.		
		270,000
Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.		
		37,401
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.		
		52,000
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.		
		(83,302)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in Compensated Absences	(15,597)	
Decrease in Interest Payable	1,128	
Increase in Accreted Debt	<u>(47,279)</u>	
Total		<u>(61,748)</u>
<b>Net Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>(496,933)</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, 2011*

	<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	\$2,956,228	\$2,937,697	\$2,926,080	(\$11,617)
Intergovernmental	9,383,760	9,324,943	9,288,066	(36,877)
Interest	8,517	8,463	8,430	(33)
Tuition and Fees	1,348,813	1,340,358	1,335,058	(5,300)
Rent	6,723	6,680	6,654	(26)
Gifts and Donations	1,010	1,004	1,000	(4)
Miscellaneous	24,933	24,777	24,679	(98)
Total Revenues	<u>13,729,984</u>	<u>13,643,922</u>	<u>13,589,967</u>	<u>(53,955)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	7,305,826	7,262,581	7,558,745	(296,164)
Special	1,757,593	1,806,896	1,424,864	382,032
Vocational	174,040	183,284	160,527	22,757
Other	5,656	37,429	25,571	11,858
Support Services:				
Pupils	446,157	539,233	469,312	69,921
Instructional Staff	671,097	697,829	594,743	103,086
Board of Education	20,000	46,555	32,126	14,429
Administration	929,948	995,612	971,339	24,273
Fiscal	389,049	419,234	402,034	17,200
Operation and Maintenance of Plant	855,285	880,601	817,928	62,673
Pupil Transportation	698,203	754,239	689,105	65,134
Central	2,502	506	393	113
Debt Service:				
Principal	33,000	33,000	13,205	19,795
Interest	141,012	141,697	0	141,697
Total Expenditures	<u>13,429,368</u>	<u>13,798,696</u>	<u>13,159,892</u>	<u>638,804</u>
Excess of Revenues Over (Under) Expenditures	<u>300,616</u>	<u>(154,774)</u>	<u>430,075</u>	<u>584,849</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Sale of Capital Assets	0	0	4,500	4,500
Transfers In	0	0	12,255	12,255
Refund of Prior Year Expenditures	0	0	36,877	36,877
Refund of Prior Year Receipts	0	(1,098)	(1,281)	(183)
Transfers Out	(364,400)	(366,995)	(366,995)	0
Total Other Financing Sources and Uses	<u>(364,400)</u>	<u>(368,093)</u>	<u>(314,644)</u>	<u>53,449</u>
Net Change in Fund Balances	(63,784)	(522,867)	115,431	638,298
Fund Balance at Beginning of Year	1,127,034	1,127,034	1,127,034	0
Prior Year Encumbrances Appropriated	79,493	79,493	79,493	0
Fund Balance at End of Year	<u>\$1,142,743</u>	<u>\$683,660</u>	<u>\$1,321,958</u>	<u>\$638,298</u>

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2011*

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	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Equity in Pooled Cash and Investments	<u>\$ 3,802</u>	<u>\$ 46,667</u>
<b>LIABILITIES:</b>		
Undistributed Monies	<u>-</u>	<u>\$ 46,667</u>
<b>NET ASSETS:</b>		
Held in Trust for Scholarships	<u>3,802</u>	
<i>Total Net Assets</i>	<u>\$ 3,802</u>	

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2011*

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	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	<u>\$ 3,820</u>
<i>Total Additions</i>	3,820
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>4,887</u>
Change in Net Assets	(1,067)
<i>Net Assets Beginning of Year- As Restated, See Note 18</i>	<u>4,869</u>
<i>Net Assets End of Year</i>	<u><u>\$ 3,802</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, 2011*

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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 75 non-certificated employees, 103 certificated full-time teaching personnel and 11 administrative employees who provide services to 1,889 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, 2011*

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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, not accounted for and reported 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 debt service fund used to account for the accumulation of financial resources restricted, committed, or assigned for the payment of general long-term debt. The major source of revenue for this fund is tax levy proceeds.

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. 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 consist of a private purpose trust fund and an agency fund which are used to maintain financial activity of the School District's college scholarship donations and 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, 2011*

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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, 2011*

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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, 2011, but which were levied to finance fiscal year 2012 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, 2011*

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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 2011.

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.

**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 \$9,101 in which \$7,786 was recorded in the General Fund and \$1,315 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, U.S. Treasury Security, and U.S. Governmental Agency securities.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

During fiscal year 2011, 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, 2011.

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, 2011*

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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.

**Interfund Balances**

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as either "due to/from other funds" or as "interfund receivable/payable." All unpaid reimbursements between funds are report as "due to/from other funds". These amounts are eliminated in the governmental activities column of the statement of net assets.

**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 \$2,369,095 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, 2011*

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

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

***Unassigned*** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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 investments whose use is limited by legal requirements.

The School District had restricted cash and investments in the amount of \$377,048 held aside for the textbooks and instructional materials.



**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**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 (budget basis) rather than as a restriction, commitment or assignment of fund balance for governmental fund types (GAAP basis).

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

Net Change in Fund Balance	
	General
GAAP Basis	\$415,468
Adjustments:	
Revenue Accruals	(383,077)
Expenditure Accruals	139,612
Perspective Difference:	
Activity of Funds Reclassed for GAAP Reporting Purposes	(16,866)
Encumbrances	(39,706)
Budget Basis	\$115,431

**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.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

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;
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.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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, 2011, the School District’s bank balance of \$2,438,152 was either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

**Investments** At June 30, 2011, the School District had the following investments:

Investment Type	Fair Value	Less Than One Year	1-2 Years	3-5 Years
Money Market Funds	\$6,190	\$6,190	\$-	\$-
STAROhio	929,493	929,493	-	-
FHLB Notes	414,514	-	414,514	-
FNMA Notes	99,985	-	-	99,985
FHLMC Bonds	1,089,924	364,692	625,199	100,033
US Treasury Bill	74,901	74,901	-	-
<b>Total</b>	<b>\$2,615,007</b>	<b>\$1,375,276</b>	<b>\$1,039,713</b>	<b>\$200,018</b>

**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, FNMA, and FHLMC were each rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The Money Market Funds and STAR Ohio were rated AAAM by Standard & Poor’s. The US Treasury Bill has been rated Aaa by Standard & Poor’s.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

*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, 2011:

Investment Type	Fair Value	% of Total
Money Market Funds	\$6,190	0.2%
STAROhio	929,493	35.5%
FHLB Notes	414,514	15.9%
FNMA Notes	99,985	3.8%
FHLMC Bonds	1,089,924	41.7%
US Treasury Bill	74,901	2.9%
Total	<u>\$2,615,007</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.

**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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected in 2011 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 2011 (other than public utility property tax) represents the collection of 2011 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 2011 were levied after April 1, 2010, on the value as of December 31, 2010. 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.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

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, 2011, are available to finance fiscal year 2011 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, 2011. 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, 2011, was \$753,300 in the General Fund, \$115,000 in the Debt Service Fund, and \$14,100 in Other Governmental Funds.

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 164,582,210	97.54%	\$ 165,269,930	97.64%
Public Utility	3,955,800	2.34%	4,001,010	2.36%
Tangible Personal Property	200,613	0.12%	-	0.00%
Total Assessed Value	<u>\$ 168,738,623</u>	<u>100.00%</u>	<u>\$ 169,270,940</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 37.01		\$ 36.86	

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2011, 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	\$9,322
Non-major Special Revenue Funds:	
Title VI-B	35,344
Title I	146,886
Title II-D	875
Total Non-major Special Revenue Funds	<u>183,105</u>
Total Receivable	<u>\$192,427</u>

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**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 2011, 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)	\$43,197,300
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

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

For fiscal year 2011, 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 2011, 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, 2011

**NOTE 8 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Ending Balance 06/30/10	Additions	Deletions	Ending Balance 06/30/11
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	1,572,952	3,905	-	1,576,857
Buildings and Improvements	36,585,913	21,006	-	36,606,919
Furniture and Equipment	3,238,478	124,868	(57,187)	3,306,159
Vehicles	1,133,259	13,000	-	1,146,259
Books	374,407	-	-	374,407
Infrastructure	133,406	-	-	133,406
Total Capital Assets, Being Depreciated	<u>43,038,415</u>	<u>162,779</u>	<u>(57,187)</u>	<u>43,144,007</u>
Less Accumulated Depreciation:				
Land Improvements	(567,042)	(45,348)	-	(612,390)
Buildings and Improvements	(14,594,680)	(1,016,275)	-	(15,610,955)
Furniture and Equipment	(2,025,004)	(277,871)	44,504	(2,258,371)
Vehicles	(779,234)	(56,502)	-	(835,736)
Books	(240,048)	(26,464)	-	(266,512)
Infrastructure	(49,438)	(5,755)	-	(55,193)
Total Accumulated Depreciation	<u>(18,255,446)</u>	<u>(1,428,215)</u>	<u>44,504</u>	<u>(19,639,157)</u>
Total Capital Assets Being Depreciated, Net	<u>24,782,969</u>	<u>(1,265,436)</u>	<u>(12,683)</u>	<u>23,504,850</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,495,154</u>	<u>\$ (1,265,436)</u>	<u>\$ (12,683)</u>	<u>\$ 25,217,035</u>

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 995,211
Special	1,889
Vocational	3,205
Other	3,757
Support Services:	
Pupils	14,646
Instructional Staff	57,283
Administration	46,844
Fiscal	1,754
Operation and Maintenance of Plant	147,399
Pupil Transportation	88,527
Central	3,029
Extracurricular Activities	64,671
Total Depreciation Expense	<u><u>\$ 1,428,215</u></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 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 School 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 a 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 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 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 for the fiscal years ended June 30, 2011, 2010 and 2009 were \$293,724, \$247,185, and \$250,571, respectively; 50 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. \$125,027 represents the unpaid contribution for fiscal year 2011 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, 2011*

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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, 2011*

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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, 2011, 2010, and 2009, 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, 2011, 2010, and 2009 were \$844,515, \$942,349, and \$978,589, respectively; 82 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. \$150,028 represents the unpaid contribution for fiscal year 2011 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).

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, none of the members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**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.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual 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, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$66,193, \$71,719, and \$71,802, for fiscal years 2011, 2010, and 2009, respectively, which equaled the required allocation 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 2011 was \$96.40 for most participants, but could be as high as \$369.10 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 2011, 2010, and 2009, the actuarially required allocation was 0.76 percent, 0.76 percent, and 0.75 percent. For the School District, contributions for the years ended June 30, 2011, 2010, and 2009, were \$15,946, \$15,679, and \$16,737, 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.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

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

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. At June 30, 2011, 2010, and 2009, the health care allocations were 1.43 percent, 0.46 percent, and 4.16 percent, respectively. 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 2011, 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. For the School District, the amounts assigned to health care, including the surcharge, during the 2011, 2010, and 2009 fiscal years equaled \$72,434, \$40,113, and \$131,453, respectively, which equaled the required allocation for each year.

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 2011 were as follows:

	Principal Outstanding 06/30/10	Additions	Deductions	Principal Outstanding 06/30/11	Due in One Year
2000 Classroom Facilities					
Improvement Bonds 5.73%	\$ 1,220,000	\$ -	\$ 215,000	\$ 1,005,000	\$ 240,000
2007 General Obligation Refunding					
Bonds 3.70%-4.00%	2,820,000	-	55,000	2,765,000	55,000
Premium	263,565	-	25,672	237,893	-
Accounting Loss	(137,596)	-	(39,314)	(98,282)	-
Capital Appreciation Bonds 16.99%	150,000	-	-	150,000	-
Accretion on Capital Appreciation Bonds	101,740	47,279	-	149,019	-
<b>Total Long-Term Bonds</b>	<b>4,417,709</b>	<b>47,279</b>	<b>256,358</b>	<b>4,208,630</b>	<b>295,000</b>
Capital Leases	254,668	83,302	37,401	300,569	63,713
Certificate of Participation Payable	2,300,000	-	52,000	2,248,000	55,000
Compensated Absences	1,000,375	649,864	634,267	1,015,972	35,706
<b>Total Long-Term Obligations</b>	<b>\$ 7,972,752</b>	<b>\$ 780,445</b>	<b>\$ 980,026</b>	<b>\$ 7,773,171</b>	<b>\$ 449,419</b>

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

**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 2011, the capital appreciation bonds were accreted \$47,279. Total accretion as of June 30, 2011 was \$149,019.

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, 2011, 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
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	0	0	350,000	0	104,025
2017-2021	0	0	355,000	1,685,000	385,250
2022-2023	0	0	0	840,000	29,600
Total	\$1,005,000	\$133,3778	\$705,000	\$2,765,000	\$954,755

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, 2011*

**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. The inception of capital lease was recorded as an other financing source in the amount of \$83,302. Principal payments in fiscal year 2011 totaled \$37,401. 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, 2011 are as follows:

Fiscal Year Ending June 30,	Payments
2012	\$74,604
2013	74,604
2014	74,604
2015	74,604
2016	74,604
2017	<u>6,217</u>
	379,237
Less: Interest	<u>(78,668)</u>
Present Value of Minimum Lease Payments	<u><u>\$300,569</u></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, 2011 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 2011 totaled \$52,000 in the governmental funds.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**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, 2011:

Fiscal Year Ending June 30:	Principal	Interest	Total
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	66,000	104,917	170,917
2017-2021	384,000	468,296	852,296
2022-2026	495,000	353,761	848,761
2027-2031	638,000	205,387	843,387
2032-2036	368,000	50,975	418,975
2037-2038	61,000	1,379	62,379
Total	<u>\$2,248,000</u>	<u>\$1,636,205</u>	<u>\$3,884,205</u>

The School District's voted legal debt margin was \$9,066,385 with an unvoted debt margin of \$169,271 at June 30, 2011.

**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 \$66,617 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, 2011*

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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, 2011.



**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

**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, 2010	\$498,476	\$0
Required Set-Aside	292,229	292,229
Current Year Offset	0	(63,083)
Prior Year Offset from Bond Proceeds	0	(67,394)
Current Year Qualifying Expenditures	(413,657)	(161,752)
Total	<u>\$377,048</u>	<u>\$0</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$377,048</u>	<u>\$0</u>
Set Aside Reserve Balance June 30, 2011	<u>\$377,048</u>	<u>\$0</u>

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 \$179,799 at June 30, 2011.

**NOTE 17 – INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2011, were as follows:

Fund	Transfer From	Transfer To
<i>Major Fund</i>		
General	\$322,240	\$-
<i>Non-Major Funds</i>		
EMIS	-	175,790
District Managed Activities	-	146,450
Total Non-Major Funds	<u>-</u>	<u>322,240</u>
Total	<u>\$322,240</u>	<u>\$322,240</u>

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, 2011

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

**Interfund Balances**

Interfund balances at June 30, 2011, consist of the following individual fund receivables and payables:

	Due From Other Funds	Due to Other Funds
Major Fund:		
General	\$61,466	\$0
Non Major Funds:		
Title VI-B	0	8,151
Title II-D	0	658
Title I	0	52,657
Total Non Major Funds	0	61,466
Total	\$61,466	\$61,466

The interfund receivables in 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 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES**

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds, and resulted in the following restatement of the School District’s financial statements:

	General	Bond Retirement	All Other Governmental	Total
Fund Balances, June 30, 2010	\$960,415	\$1,211,507	\$1,045,710	\$3,217,632
GASB 54 Fund Reclassifications	74,479	0	(79,348)	(4,869)
Restated Fund Balances, June 30, 2010	\$1,034,894	\$1,211,507	\$966,362	\$3,212,763
			Governmental Activities	Private Purpose Trust
Net Assets, June 30, 2010			22,185,707	\$0
GASB 54 Fund Reclassifications			(4,869)	4,869
Net Assets, Restated June 30, 2010			\$22,180,838	\$4,869

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

**NOTE 19 – ACCOUNTABILITY**

At June 30, 2011, the EMIS, Title VI-B, Chapter I, and Reducing Class Size Funds had fund balance deficits of \$3,008, \$6,270, \$8,477, and \$9,414, 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.

**NOTE 20 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Restricted for</b>				
Food Service Operations	0	0	450,377	450,377
Other Purposes	0	0	109,083	109,083
Classroom Facilities	0	0	244,383	244,383
Capital Improvements	0	0	7,324	7,324
Textbooks	377,048	0	0	377,048
Debt Services Payments	0	1,327,174	0	1,327,174
Classroom Maintenance	0	0	162,368	162,368
Total Restricted	<u>377,048</u>	<u>1,327,174</u>	<u>973,535</u>	<u>2,677,757</u>
<b>Assigned to</b>				
Other Purposes	<u>165,877</u>	<u>0</u>	<u>0</u>	<u>165,877</u>
<b>Unassigned (Deficit)</b>	<u>907,437</u>	<u>0</u>	<u>0</u>	<u>907,437</u>
Total Fund Balances	<u><u>\$1,450,362</u></u>	<u><u>\$1,327,174</u></u>	<u><u>\$973,535</u></u>	<u><u>\$3,751,071</u></u>

Bethel-Tate Local School District  
Clermont County

Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2011

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	\$ 53,877	\$ -	\$ 53,877	\$ -
National School Lunch Program	3L60	10.555	283,749	47,005	283,749	47,005
Total Nutrition Cluster			<u>337,626</u>	<u>47,005</u>	<u>337,626</u>	<u>47,005</u>
<b>Total United States Department of Agriculture</b>			337,626	47,005	337,626	47,005
<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 Educational Agencies	3M00	84.010	344,911	-	399,045	-
ARRA - Title I Grants to Local Educational Agencies	3DK0	84.389	69,822	-	66,661	-
Total Title I, Part A Cluster			<u>414,733</u>	<u>-</u>	<u>465,706</u>	<u>-</u>
<i>Special Education Cluster:</i>						
Special Education Grants to States	3M20	84.027	343,996	-	343,996	-
ARRA - Special Education Grants to States	3DJ0	84.391	211,284	-	197,780	-
Total Special Education Cluster			<u>555,280</u>	<u>-</u>	<u>541,776</u>	<u>-</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	GRF	84.394	741,799	-	741,799	-
Safe & Drug Free Schools and Communities State Grants	3D10	84.186	-	-	2,245	-
Education Technology State Grants	3S20	84.318	1,372	-	2,030	-
Improving Teacher Quality State Grants	3Y60	84.367	72,657	-	75,134	-
<b>Total United States Department of Education</b>			1,785,841	-	1,828,690	-
<b>Total Federal Financial Assistance</b>			<u>\$ 2,123,467</u>	<u>\$ 47,005</u>	<u>\$ 2,166,316</u>	<u>\$ 47,005</u>

N/A - Not Available

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures

**BETHEL-TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – FOOD DONATION**

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

**NOTE C – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS**

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel-Tate Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 21, 2011 wherein we noted that the District implemented GASB Statements No. 54. 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

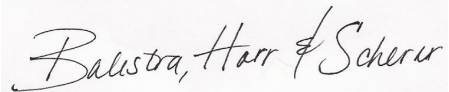
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the 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 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, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one 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.  
October 21, 2011





# Balestra, Harr & Scherer, CPAs, Inc.

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

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

### Compliance

We have audited the compliance of Bethel-Tate Local School District, Clermont County, Ohio (the 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 Bethel-Tate Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The 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 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 included 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 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 District's compliance with those requirements.

In our opinion, Bethel-Tate Local School District 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, 2011.

### Internal Control Over Compliance

The 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 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 District's internal control over compliance.

Members of the Board of Education  
Bethel-Tate Local School District  
Report on Compliance with Requirements Applicable to each Major Federal Program and on  
Internal Control Over Compliance Required by OMB Circular A-133  
Page 2

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 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 weaknesses, as defined above.

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



Balestra, Harr & Scherer, CPAs, Inc.  
October 21, 2011

**Bethel-Tate Local School District  
Clermont County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Grants to States; CFDA# 84.027 Special Education Grants to States – ARRA; CFDA# 84.391 State Fiscal Stabilization Fund (SFSF) – Education State Grants, ARRA; CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**Bethel-Tate Local School District  
Clermont County, Ohio**

**Schedule of Findings  
*OMB Circular A-133 Section §.505*  
June 30, 2011**

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

**None noted**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None noted**



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## Independent Auditor's Report on Applying Agreed Upon Procedures

Members of the Board of Education  
Bethel-Tate Local School District  
Clermont County  
675 West Plane Street  
Bethel, Ohio 45106

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Bethel-Tate Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on July 21, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

October 21, 2011

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# 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  
DECEMBER 27, 2011**