

Bethel Tate Local School District

Clermont County, Ohio

Single Audit

July 1, 2004 Through June 30, 2005

Fiscal Year Audited Under GAGAS: 2005

**BALESTRA, HARR & SCHERER, CPAs, Inc.**

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**Auditor of State  
Betty Montgomery**

Board of Education  
Bethel-Tate Local School District  
112 North Union Street  
Bethel, Ohio 56106-1308

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, 2004 through June 30, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

March 22, 2006

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

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel Tate Local School District (the District), Clermont County, as of and for the year ended June 30, 2005, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2005, and the respective changes in financial position and the respective budgetary comparison for the general fund thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2006 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. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

As described in Note 3, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposits and Investments Risk Disclosure*, GASB Statement No. 41, *Budgetary Comparison Schedules – Prospective Differences*, and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liability by Cost-Sharing Employers*.

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.  
January 26, 2006

Bethel-Tate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

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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, 2005. 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, 2005 by \$25,854,692.
- The School District's net assets of governmental activities decreased \$911,343.
- General revenues accounted for \$12,296,671 in revenue or 82 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,712,066 or 18 percent of total revenues of \$15,008,737.
- The School District had \$15,920,080 in expenses related to governmental activities; \$2,712,066 of these expenses was offset by program specific charges for services, grants, or contributions.

**USING THIS ANNUAL FINANCIAL REPORT**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. The major funds of Bethel-Tate Local School District are the General Fund, and the Bond Retirement Debt Service Fund.

Bethel-Tate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

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**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

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

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

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

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

**REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

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

Bethel-Tate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

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

**THE SCHOOL DISTRICT AS A WHOLE**

As stated previously, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2005 compared to June 30, 2004.

Table 1  
Net Assets

	2005	2004
Assets:		
Current Assets	\$8,075,674	\$8,084,111
Restricted Assets	681,346	377,563
Capital Assets, Net	29,502,767	30,684,150
Total Assets	38,259,787	39,145,824
Liabilities:		
Current and Other Liabilities	4,745,287	4,563,219
Long-Term Liabilities	7,659,808	7,816,570
Total Liabilities	12,405,095	12,379,789
Net Assets:		
Invested in Capital Assets, Net of Related Debt	22,639,154	23,528,449
Restricted	2,104,837	2,166,404
Unrestricted	1,110,701	1,071,182
Total Net Assets	\$25,854,692	\$26,766,035

Total net assets of the School District as a whole decreased \$911,343.

Bethel-Tate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005 compared to June 30, 2004.

Table 2  
Change in Net Assets

	2005	2004
Revenues		
Program Revenues:		
Charges for Services and Sales	\$834,047	\$664,651
Operating Grants and Contributions	1,878,019	1,728,050
Total Program Revenues	2,712,066	2,392,701
General Revenues:		
Property Taxes	3,053,284	3,305,270
Gifts and Donation not Restricted to Specific Programs	700	0
Grants and Entitlements not Restricted to Specific Programs	9,010,580	8,339,387
Other Financing Sources/Uses, Net	0	(391,565)
Investment Earnings	88,342	94,578
Miscellaneous	143,765	233,280
Total General Revenues	12,296,671	11,580,950
Total Revenues	15,008,737	13,973,651
Program Expenses		
Instruction		
Regular	8,080,802	8,506,800
Special	1,345,429	1,703,340
Vocational	128,938	112,827
Support Services		
Pupil	650,737	358,724
Instructional Staff	735,985	813,438
Board of Education	19,104	28,804
Administration	1,075,500	1,251,426
Fiscal	330,731	339,354
Operation and Maintenance of Plant	1,399,250	1,452,670
Pupil Transportation	829,459	839,500
Central	111,869	200,716
Operation of Non-Instructional Services	438,276	514,815
Extracurricular Activities	354,317	289,044
Interest & Fiscal Charges	419,683	432,027
Total Expenses	15,920,080	16,843,485
Net Assets at Beginning of Year	26,766,035	29,635,869
Increase (Decrease) in Net Assets	(911,343)	(2,869,834)
Net Assets at End of Year	\$25,854,692	\$26,766,035

Bethel-Tate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

**Governmental Activities**

Grants and entitlements comprised 60 percent of revenue for governmental activities of the Bethel-Tate Local School District for fiscal year 2005 and represents the largest source of revenue.

Property taxes comprised 20 percent of revenue for governmental activities of the School District for fiscal year 2005.

Operating grants and contributions comprised 13 percent of revenue for governmental activities during 2005.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 60 percent of governmental program expenses with support services comprising 32 percent of governmental expenses. The Board of Education relies on taxes to support increased student achievement within the school district.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3  
Total and Net Cost of Program Services  
Governmental Activities

	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$9,555,169	\$8,483,832	\$10,322,967	\$9,287,242
Support Services	5,152,635	4,353,613	5,284,632	4,521,584
Operation of Non-instructional Services	438,276	(119,508)	514,815	85,174
Extracurricular Activities	354,317	147,735	289,044	201,803
Interest and Fiscal Charges	419,683	342,342	432,027	354,981
<b>Total Expenses</b>	<b>\$15,920,080</b>	<b>\$13,208,014</b>	<b>\$16,843,485</b>	<b>\$14,450,784</b>

**THE SCHOOL DISTRICT'S FUNDS**

Information about the School District's major governmental funds begins on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$15,261,597 and expenditures and other financing uses of \$15,161,727. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the Bond Retirement Fund increased by \$116,854. This increase was primarily due to the School District receiving more in property tax revenue.

Bethel-Tate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

The fund balance of the General Fund increased by \$288,537. This increase was primarily due to the School District receiving more in property tax and intergovernmental revenue in the current year than in the prior year.

**General Fund Budgeting Highlights**

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

During 2005, there were revisions made to the General Fund budget. In part, the revisions added \$227,192 to the appropriations to account for unexpected increases in instruction costs. The School District's ending unobligated cash balance was \$3,476,246.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2005, the School District had \$29,502,767 invested in its capital assets. Table 4 shows the fiscal year 2005 balances compared to 2004.

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

	2005	2004
Land	\$762,001	\$762,001
Land Improvements	971,379	986,195
Buildings and Improvements	25,795,836	26,776,850
Furniture and Equipment	1,447,324	1,640,941
Vehicles	296,209	241,968
Books	128,502	168,394
Infrastructure	101,516	107,801
Totals	\$29,502,767	\$30,684,150

Changes in capital assets from the prior year resulted from additions, disposals and depreciation. The most significant change to capital assets was due to the current year depreciation. For additional information regarding capital assets, please see Note 8 to the Basic Financial Statements.

Bethel-Tate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

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**Debt**

At June 30, 2005, the School District had \$28,000 in bond anticipation notes outstanding. The School District also had \$5,270,000 in bonds outstanding at fiscal year end with \$235,000 due within one year. Table 5 summarizes the School District's outstanding debt:

Table 5  
Outstanding Debt at Year End

	2005	2004
Bond Anticipation Notes	<u>\$28,000</u>	<u>\$51,000</u>
2000 Classroom Facilities Bonds	<u>\$5,270,000</u>	<u>\$5,480,000</u>

At June 30, 2005 the School District's overall legal debt margin was \$6,984,475 with an unvoted debt margin of \$136,161. For additional information regarding the debt of the School District, please see Notes 13 and 14 to the Basic Financial Statements.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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

**Bethel Tate Local School District**  
**Statement of Net Assets**  
*June 30, 2005*

	<u><b>Governmental Activities</b></u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,665,376
Accounts Receivable	9,251
Intergovernmental Receivable	44,553
Taxes Receivable	3,356,494
Noncurrent Assets:	
Restricted Cash and Cash Equivalents with Fiscal Agents	52,135
Restricted Cash and Cash Equivalents with Escrow Agents	133,262
Restricted Cash and Cash Equivalents	495,949
Non-Depreciable Capital Assets	762,001
Depreciable Capital Assets, net	<u>28,740,766</u>
<i>Total Assets</i>	<u><u>38,259,787</u></u>
 <b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	70,420
Accrued Wages and Benefits	1,446,114
Intergovernmental Payable	508,189
Accrued Interest Payable	19,679
Retainage Payable	133,262
Deferred Revenue	2,539,623
Notes Payable	28,000
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	361,544
Due in More Than One Year	<u>7,298,264</u>
<i>Total Liabilities</i>	<u><u>12,405,095</u></u>
 <b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	22,639,154
Restricted for Debt Service	703,495
Restricted for Capital Outlay	713,237
Restricted for Other Purposes	192,156
Restricted for Set-Asides	495,949
Unrestricted	<u>1,110,701</u>
<i>Total Net Assets</i>	<u><u>\$25,854,692</u></u>

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
**Statement of Activities**  
*For the Fiscal Year Ended June 30, 2005*

	<u>Program Revenues</u>			<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$8,080,802	\$209,162	\$247,327	(\$7,624,313)
Special	1,345,429	31,135	579,721	(734,573)
Vocational	128,938	3,992	-	(124,946)
Support Services:				
Pupils	650,737	20,357	2,982	(627,398)
Instructional Staff	735,985	19,559	10,935	(705,491)
Board of Education	19,104	798	-	(18,306)
Administration	1,075,500	32,731	8,947	(1,033,822)
Fiscal	330,731	10,777	-	(319,954)
Operation and Maintenance of Plant	1,399,250	33,131	132,220	(1,233,899)
Pupil Transportation	829,459	27,941	436,013	(365,505)
Central	111,869	-	62,631	(49,238)
Operation of Non-Instructional Services	438,276	304,279	253,505	119,508
Extracurricular Activities	354,317	136,992	69,590	(147,735)
Interest & Fiscal Charges	419,683	3,193	74,148	(342,342)
<i>Total Governmental Activities</i>	<u>15,920,080</u>	<u>834,047</u>	<u>1,878,019</u>	<u>(13,208,014)</u>

**General Revenues**

Grants and Entitlements not Restricted to Specific Programs	9,010,580
Gifts and Donations not Restricted to Specific Programs	700
Investment Earnings	88,342
Miscellaneous	143,765
Property Taxes	<u>3,053,284</u>
<i>Total General Revenues</i>	<u>12,296,671</u>
Change in Net Assets	(911,343)
<i>Net Assets Beginning of Year</i>	<u>26,766,035</u>
<i>Net Assets End of Year</i>	<u>\$25,854,692</u>

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
**Balance Sheet**  
**Governmental Funds**  
*as of June 30, 2005*

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,081,684	\$552,069	\$1,031,623	\$4,665,376
Accounts Receivable	9,251	0	0	9,251
Intergovernmental Receivable	0	0	44,553	44,553
Taxes Receivable	2,696,208	602,413	57,873	3,356,494
Intefund Receivable	456	0	0	456
Restricted Assets:				
Cash and Cash Equivalents	495,949	0	0	495,949
Cash and Cash Equivalents with Escrow Agencts	0	0	133,262	133,262
Cash and Cash Equivalents with Fiscal Agents	0	0	52,135	52,135
<i>Total Assets</i>	<u>6,283,548</u>	<u>1,154,482</u>	<u>1,319,446</u>	<u>8,757,476</u>
<b>LIABILITIES</b>				
Accounts Payable	51,832	0	18,588	70,420
Accrued Wages and Benefits	1,336,355	0	109,759	1,446,114
Interfund Payable	0	0	456	456
Intergovernmental Payable	455,088	0	53,101	508,189
Retainage Payable	0	0	133,262	133,262
Deferred Revenue	2,238,208	496,413	75,601	2,810,222
Notes Payable	0	0	28,000	28,000
<i>Total Liabilities</i>	<u>4,081,483</u>	<u>496,413</u>	<u>418,767</u>	<u>4,996,663</u>
<b>FUND BALANCES</b>				
Reserved:				
Reserved for Encumbrances	83,039	0	320,275	403,314
Reserved for Property Taxes	458,000	106,000	10,100	574,100
Reserved for Text Books and Instructional Materials	407,029	0	0	407,029
Reserved for Capital Improvements	88,920	0	0	88,920
Unreserved, Undesignated, Reported in:				
General Fund	1,165,077	0	0	1,165,077
Special Revenue Funds	0	0	128,738	128,738
Debt Service Fund	0	552,069	0	552,069
Capital Projects Funds	0	0	441,566	441,566
<i>Total Fund Balances</i>	<u>2,202,065</u>	<u>658,069</u>	<u>900,679</u>	<u>3,760,813</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,283,548</u>	<u>\$1,154,482</u>	<u>\$1,319,446</u>	<u>\$8,757,476</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, 2005*

**Total Governmental Fund Balances** \$ 3,760,813

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. 29,502,767

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes	245,678	
Intergovernmental	24,921	

Total		270,599
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Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore is not reported in the funds

Accrued interest payable on long-term debt is not reported in the funds. (19,679)

Long-Term Liabilities, including bonds, capital lease obligations, long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.

Capital Lease Obligations	(1,593,613)	
Compensated Absences	(796,195)	
General Obligation Bonds	(5,270,000)	

Total		(7,659,808)
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**Net Assets of Governmental Activities** \$ 25,854,692

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, 2005

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$2,621,913	\$567,937	\$80,456	\$3,270,306
Intergovernmental	9,796,956	73,912	980,429	10,851,297
Investment Earnings	74,431	0	13,911	88,342
Tuition and Fees	373,585	0	0	373,585
Rent	9,167	0	0	9,167
Extracurricular Activities	7,160	0	130,605	137,765
Customer Sales and Services	9,251	0	304,279	313,530
Gifts and Donations	700	0	17,042	17,742
Miscellaneous	74,994	694	68,077	143,765
<i>Total Revenues</i>	<u>12,968,157</u>	<u>642,543</u>	<u>1,594,799</u>	<u>15,205,499</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,494,320	0	477,318	6,971,638
Special	963,110	0	362,906	1,326,016
Vocational	122,648	0	0	122,648
Support Services:				
Pupil	632,168	0	5,120	637,288
Instructional Staff	649,905	0	19,840	669,745
Board of Education	24,361	0	0	24,361
Administration	1,010,821	0	7,886	1,018,707
Fiscal	363,484	0	0	363,484
Operation and Maintenance of Plant	1,063,093	0	227,936	1,291,029
Pupil Transportation	936,391	0	7,050	943,441
Central	0	0	106,622	106,622
Operation of Non-Instructional Services	0	0	463,358	463,358
Extracurricular Activities	197,918	0	118,602	316,520
Capital Outlay	0	0	158,680	158,680
Debt Service:				
Principal	61,624	210,000	0	271,624
Interest and Fiscal Charges	103,679	315,689	1,100	420,468
<i>Total Expenditures</i>	<u>12,623,522</u>	<u>525,689</u>	<u>1,956,418</u>	<u>15,105,629</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>344,635</u>	<u>116,854</u>	<u>(361,619)</u>	<u>99,870</u>
<b>Other Financing Sources</b>				
Transfers In	0	0	56,098	56,098
Transfers Out	(56,098)	0	0	(56,098)
<i>Total Other Financing Sources</i>	<u>(56,098)</u>	<u>0</u>	<u>56,098</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	288,537	116,854	(305,521)	99,870
<i>Fund Balances Beginning of Year</i>	<u>1,913,528</u>	<u>541,215</u>	<u>1,206,200</u>	<u>3,660,943</u>
<i>Fund Balances End of Year</i>	<u>\$2,202,065</u>	<u>\$658,069</u>	<u>\$900,679</u>	<u>\$3,760,813</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, 2005*

**Net Change in Fund Balances - Total Governmental Funds** \$ 99,870

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

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

Capital Asset Additions	186,256	
Current Year Depreciation	(1,355,951)	
Total	(1,169,695)	(1,169,695)

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

Loss on Disposal of Capital Assets	(11,688)	
Total	(11,688)	(11,688)

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

Taxes	(217,022)	
Intergovernmental	20,260	
Total	(196,762)	(196,762)

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.

210,000

Repayment of capital lease principal is recorded as expenditures in the governmental funds, but he repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities

61,624

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	(114,862)	
Decrease in Interest Payable	785	
Decrease in Intergovernmental Payable	209,385	
Total	95,308	95,308

**Net Change in Net Assets of Governmental Activities** \$ (911,343)

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	\$12,709,231	\$12,773,231	\$12,941,264	\$168,033
Total Expenditures and Other Uses	<u>13,526,099</u>	<u>13,753,291</u>	<u>12,456,799</u>	<u>1,296,492</u>
Net Change in Fund Balance	(816,868)	(980,060)	484,465	1,464,525
Fund Balance, July 1, 2004	2,882,669	2,882,669	2,882,669	0
Prior Year Encumbrances Appropriated	<u>109,112</u>	<u>109,112</u>	<u>109,112</u>	<u>0</u>
Fund Balance, June 30, 2005	<u><u>\$2,174,913</u></u>	<u><u>\$2,011,721</u></u>	<u><u>\$3,476,246</u></u>	<u><u>\$1,464,525</u></u>

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
as of June 30, 2005

	<u>Agency Fund</u>
<b>ASSETS</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$51,558</u>
<i>Total Assets</i>	<u><u>51,558</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Due to Students	<u>51,558</u>
<i>Total Liabilities</i>	<u><u>\$51,558</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, 2005

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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 1800's through the consolidation of existing land areas and school districts. The School District serves an area of approximately 48.04 square miles. It is located in Clermont County, and includes the Village of Bethel and Tate Township. It is staffed by 74 non-certificated employees, 111 certificated full-time teaching personnel and 9 administrative employees who provide services to 1,971 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative office, 1 garage, 1 bus barn, and 1 maintenance barn.

*Reporting Entity:*

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

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

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

- Boosters Clubs
- Parent-Teacher Organizations

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

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued on or after November 30, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict or contradict guidance of the Governmental Accounting Standards Board. The more significant of the School District's accounting policies are described below.

Fund Accounting

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

Governmental Funds

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

General Fund

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

Bond Retirement Fund

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

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

Fiduciary Funds

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

Basis of Presentation

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

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

**Measurement Focus**

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

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

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees, (3) the costs related to the workers compensation are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period the costs were incurred. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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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 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 2005.

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

**Encumbrances**

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

**Cash and Investments**

Cash received by the School District is deposited into one of several bank accounts with individual fund balance integrity maintained. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All investment earnings accrue to the General Fund except those specifically related to those funds deemed appropriate according to Board of Education policy. Interest earned amounted to \$88,342 in which \$74,431 was recorded in the General Fund and \$13,911 was recorded in the other governmental funds.

The School District records all its investments at fair value. For presentation on the balance sheet, investments of the cash management pool are considered to be cash equivalents. The School District has invested in Money Market Mutual Funds and Money Market Funds during fiscal year 2005.

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

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

**Capital Assets and Depreciation:**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The School District does not capitalize interest.

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

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

**Compensated Absences**

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

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

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

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

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

**Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities, that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year and will be paid with available financial resources. Bonds, long-term loans, and capital leases are recognized as a liability on the government-wide financial statements when due.

**Net Assets**

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

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

**Fund Balance Reserves**

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

**Estimates**

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

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

**Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. During fiscal year 2005, the School District held monies for the construction of new school buildings. Retainage Escrow amounts and amounts held in conjunction with the District's lease agreement at June 30, 2005 have been restricted and are presented as "Restricted Cash and Cash Equivalents with Escrow Agents" and "Restricted Cash and Cash Equivalents with Fiscal Agents" on the balance sheet.

The School District also had restricted cash in the amount of \$495,949 held aside for the textbook and capital improvement reserves.

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

For fiscal year 2005, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 41, "Budgetary Comparison Schedules – Perspective Differences", GASB Statement No. 40, "Deposit and Investment Risk Disclosures", and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liability by Cost-Sharing Employers." GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. The implementation of GASB Statements No. 41 and 40 had no affect on the District's financial statements.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin had no material effect on the School District's financial statement presentation for fiscal year 2005.

**NOTE 4 - BUDGET TO GAAP RECONCILIATION**

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis, as provided by law, and described above, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP 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 (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

Net Change in Fund Balance	
	General
GAAP Basis	\$288,537
Adjustments:	
Revenue Accruals	(48,143)
Expenditure Accruals	340,827
Encumbrances	(96,756)
Budget Basis	\$484,465

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

**Deposits** The School District’s deposits are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the School District or its agent in the School District’s name. Category 2 includes uninsured and unregistered deposits which are held by the counterparty’s trust department or agent in the School District’s name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty or by its trust department or agent but not in the School District’s name. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it.

At year end, the carrying amount of the School District’s deposits was \$138,421 and the bank balance was \$215,307. \$100,000 of the bank balance was covered by federal depository insurance (Category 1). The remaining \$115,307 was uninsured/uncollateralized (Category 3). Although the securities servings as collateral were held by the pledging financial institution’s trust department in the School District’s name and all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to successful claim by the Federal Deposit Insurance Corporation.

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

	<u>Unclassified</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>
<b><u>Investments:</u></b>			
Victory Money Market Mutual Funds	\$5,207,724	\$5,207,724	0
Allegiant Government Money Market Funds	1,235	1,235	0
Bayerische Hypo Und Verins Bank Investment Money Market Mutual Funds	<u>50,900</u>	<u>50,900</u>	< 1
Total Investment Portfolio	<u>\$5,259,859</u>	<u>\$5,259,859</u>	

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the School District’s investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The School District has limited its investments to securities in Money Market Funds and Money Market Mutual Funds. Below are the credit ratings of the School District’s investments:

	<u>Moody’s</u>	<u>Standard &amp; Poor’s</u>
Federal Money Market	Aaa	AAAm
Allegiant Money Market	not available	AAAm
Bayerische Hypo	Aa2	A-1

Concentration of credit risk – The District’s investment policy allows investments in U.S. Treasury and Agency securities and instrumentalities purchased outright shall be purchased through financial institutions located with the State of Ohio or through “primary securities dealers” located in the State of Ohio, as designated by the Federal Reserve Board, Repurchase Agreements, and Certificates of Deposits.

The District has invested in securities in Money Market Funds and Money Market Mutual Funds. More than 5 percent of the School District’s investments are in Money Market Mutual Funds; Victory Money Market Mutual Funds comprised of 99% of the School District’s total investments.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$5,398,280	\$0
Investments:		
Victory Money Market Mutual Funds	(5,207,724)	5,207,724
Allegiant Government Money Market Funds	(1,235)	1,235
Bayerische Hype Und Verins Bank Investment Money Market Mutual Funds	(50,900)	50,900
GASB Statement 3	<u>\$138,421</u>	<u>\$5,259,859</u>

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2005 for real and public utility property taxes represents collections of calendar 2004 taxes. Property tax payments received during calendar 2005 for tangible personal property (other than public utility property) are for calendar 2005 taxes.

2005 real property taxes are levied after April 1, 2005 on the assessed value listed as of January 1, 2005, the lien date.

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Clermont and Hamilton Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 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, 2005. 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, 2005, was \$458,000 in the General Fund, \$106,000 in the Debt Service Fund, and \$10,100 in the Classroom Facilities Special Revenue Fund.

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$127,597,570	94.45%	\$128,804,710	94.60%
Public Utility	5,042,770	3.73%	4,997,040	3.67%
Tangible Personal Property	2,454,116	1.82%	2,359,079	1.73%
Total Assessed Value	<u>\$135,094,456</u>	<u>100.00%</u>	<u>\$136,160,829</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed valuation	\$38.44		\$38.44	

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Receivable Amount
Non-major Special Revenue Funds:	
Student Intervention	\$8,341
Misc. State Grants	2,095
Innovative Programs	7,155
Safe and Drug Free Schools	5,002
Improving Teacher Quality	19,367
Technolgy, Title II-D	2,593
Total Non-major Special Revenue Funds	\$44,553

**NOTE 8 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	Ending Balance 06/30/04	Additions	Deletions	Ending Balance 06/30/05
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$762,001	\$0	\$0	\$762,001
Total Capital Assets, Not Being Depreciated	762,001	0	0	762,001
Capital Assets Being Depreciated				
Land Improvements	1,304,614	20,290	0	1,324,904
Buildings and Improvements	35,359,177	2,400	0	35,361,577
Furniture and Equipment	2,958,976	41,341	(51,987)	2,948,330
Vehicles	1,156,181	122,225	(140,334)	1,138,072
Books	1,004,725	0	0	1,004,725
Infrastructure	120,406	0	0	120,406
Total Capital Assets, Being Depreciated	41,904,079	186,256	(192,321)	41,898,014
Less Accumulated Depreciation:				
Land Improvements	(318,419)	(35,106)	0	(353,525)
Buildings and Improvements	(8,582,327)	(983,414)	0	(9,565,741)
Furniture, Fixtures & Equipment	(1,318,035)	(223,270)	40,299	(1,501,006)
Vehicles	(914,213)	(67,984)	140,334	(841,863)
Books	(836,331)	(39,892)	0	(876,223)
Infrastructure	(12,605)	(6,285)	0	(18,890)
Total Accumulated Depreciation	(11,981,930)	(1,355,951)	180,633	(13,157,248)
Total Capital Assets Being Depreciated, Net	29,922,149	(1,169,695)	(11,688)	28,740,776
Governmental Activities Capital Assets, Net	\$30,684,150	(\$1,169,695)	(\$11,688)	\$29,502,767

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 8 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$929,443
Special	2,220
Vocational	283
Support Services:	
Pupils	12,538
Instructional Staff	95,574
Administration	38,465
Fiscal	1,724
Operation & Maintenance of Plant	138,923
Pupil Transportation	68,072
Central	4,025
Non-Instructional Services	4,505
Extra-Curricular	60,179
Total Depreciation Expense	<u>\$1,355,951</u>

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual participant enters into an agreement with OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays its annual premium to OSP (see Note 16). Coverage provided is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$40,036,400
Crime Insurance (\$1,000 deductible)	25,000
Automobile Liability (No deductible)	1,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

For fiscal year 2005, the School District participated in the Ohio Association of School Business Officials Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Universe Inc. provides administrative, cost control and actuarial services to the GRP.

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 9 - RISK MANAGEMENT (Continued)**

For fiscal year 2005, the School District participated in the Clermont County Health Consortium (the Consortium), a public entity risk pool (Note 16), in order to provide life, sick, accident, and other benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. Any of such benefits, as the Trustee may determine, may be provided in whole or in part through one or more group insurance policies.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3309 of the Ohio Revised Code establishes benefits. SERS issues a publicly available, stand alone report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the Pickaway-Ross Career & Technical Center is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$316,867, \$238,488, and \$99,760, respectively; 26% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$236,052 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

**State Teachers Retirement System**

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. 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% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated 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.

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**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.

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 a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount.

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.

Plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$652,401, \$757,049, and \$530,271, respectively; 85% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. \$99,076 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

**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, 2005, no 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, 2005

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**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$45,727 for fiscal year 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the latest information available, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$236,103.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, the latest information available, were \$223,443,805 and the target level was \$335.6 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Life Insurance**

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

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

**NOTE 13 - SHORT-TERM OBLIGATIONS**

As of June 30, 2005, the School District had \$28,000 in outstanding short-term obligation bond anticipation notes with interest rates between 4.34% and 4.94%. During fiscal year 2005, the School District retired bond anticipation notes in the amount of \$51,000. The debt had been reported in the Permanent Improvement Capital Project Fund and paid from the Debt Service Fund.

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Principal Outstanding 6/30/04	Additions	Deductions	Principal Outstanding 6/30/05	Due In One Year
Classroom Facilities Imp rovement Bonds 2000 5.73%	\$5,480,000	\$0	\$210,000	\$5,270,000	\$235,000
Total Long-Term Bonds and Loans	5,480,000	0	210,000	5,270,000	235,000
Compensated Absences	681,333	796,195	681,333	796,195	60,964
Capital Leases	1,655,237	0	61,624	1,593,613	65,580
Total General Long-Term Obligations	\$7,816,570	\$796,195	\$952,957	\$7,659,808	\$361,544

*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. The bonds will be retired from the debt service fund.

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

Principal and interest requirements to retire general obligation debt, including notes and loans outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$ 235,000	\$ 295,820	\$ 530,820
2007	125,000	286,969	411,969
2008	150,000	280,088	430,088
2009	165,000	272,092	437,092
2010	200,000	262,735	462,735
2011-2015	1,220,000	1,104,624	2,324,624
2016-2020	1,820,000	665,579	2,485,579
2021-2023	1,355,000	107,708	1,462,708
	<u>\$ 5,270,000</u>	<u>\$ 3,275,615</u>	<u>\$ 8,545,615</u>

The School District's voted legal debt margin was \$6,984,475 within unvoted debt margin of \$136,161 at June 30, 2005.

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 14 - LONG-TERM OBLIGATIONS (Continued)**

**Capital Lease Obligation**

The District entered into a lease purchase agreement on July 11, 2002 to finance a variety of projects including a portion of the classroom facilities project, as well as, several other construction projects, the acquisition of new school buses, computers and computer related software. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The total amount of the capital lease obligation of \$1,515,000 was recorded as an increase in restricted cash and inception of a capital lease in the Permanent Improvement Fund. The capital lease payments for this lease will be classified as debt service in the General Fund in the fund financial statements. These expenditures will be reflected as program/function expenditures on a budgetary basis. The District entered into a new base purchase agreement on July 1, 2003 to finance the acquisition of new copiers. The total amount of the capital lease obligation of \$194,131 was recorded as an increase in the General Fund. The capital lease payments for this lease will be classified as debt service in the General Fund in the fund financial statements. These expenditures will be reflected as program/function expenditures on a budgetary basis. For the leased assets related to the Governmental Funds, a portion of the capital assets acquired by the lease have been capitalized in the government wide financial statements. The District's future minimum lease payments under capital lease obligations for Governmental Activities as of June 30, 2005 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$ 65,580	\$ 92,673	\$ 158,253
2007	69,782	88,103	157,885
2008	74,251	83,153	157,404
2009	30,000	79,629	109,629
2010	32,000	77,976	109,976
2011-2015	183,000	361,950	544,950
2016-2020	235,000	304,722	539,722
2021-2025	306,000	229,083	535,083
2026-2030	403,000	129,732	532,732
2031-2032	195,000	17,157	212,157
	\$ 1,593,613	\$ 1,464,178	\$ 3,057,791

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

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

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

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

*Hamilton/Clermont Cooperative Association* - The School District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of H/CCA consists of the superintendents and/or treasurers of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid H/CCA \$47,370 for services provided during the year. Financial information can be obtained from the H/CCA of Boards of Education, Steve Hawley, Director, at 7615 Harris on Avenue, Cincinnati, Ohio 45231-3107.

**NOTE 16 - PUBLIC ENTITY RISK POOL**

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

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

**NOTE 17 - INSURANCE PURCHASING POOL**

*Ohio Association of School Business Officials Group Rating Plan* - The School District participates in the Association of School Business Officials 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 18 - CONTINGENCIES**

**A. Litigation**

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

**B. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 19 - SUPREME COURT CASE DECISION**

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

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

**NOTE 20 - STATUTORY RESERVES**

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

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

	Textbook Reserve	Capital Maintenance Reserve	Total
Balance 07/01/2004	\$235,697	\$141,866	\$377,563
Required Set-Aside	253,849	253,849	507,698
Qualifying Expenditures and Current Year Offset	(82,517)	(306,795)	(389,312)
Set-aside Balance Carried Forward to Future Years	\$407,029	\$88,920	\$495,949
Set-aside Reserve Balance as of June 30, 2005	\$407,029	\$88,920	\$495,949

**NOTE 21 – INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2005, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$0	\$56,098
Non-Major Fund:		
EMIS	56,098	0
Total	56,098	\$56,098

A transfer was made from the General Fund to the EMIS fund to provide support for operating activities of that fund.

Bethel-Tate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 21 – INTERFUND ACTIVITY (Continued)**

Fund	Interfund Receivable	Interfund Payable
Major Funds:		
General	\$456	\$0
Non-Major Fund:		
Reducing Class Size	-	456
Total	456	\$456

The General Fund advanced \$456 to the Reducing Class Size fund to cover the negative cash balance of the fund in anticipation of grant monies.

Bethel Tate Local School District  
Clermont County

Schedule of Federal Awards Receipts and Expenditures  
For Year Ended June 30, 2005

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 the Ohio Department of Education</i>						
Food Distribution Program	N/A	10.550	\$ -	\$ 50,828	\$ -	\$ 50,828
National School Lunch Program	LL-P4	10.555	151,134	-	151,134	-
Total United States Department of Agriculture - Nutrition Cluster			151,134	50,828	151,134	50,828
<b>United States Department of Education</b>						
<i>Passed through the Ohio Department of Education</i>						
Special Education - Grants to States	6B-SF	84.027	354,520	-	354,520	-
Title I Grants to Local Educational Agencies	C1-S1	84.010	276,913	-	269,672	-
State Grants for Innovative Programs	C2-S1	84.298	5,535	-	7,558	-
Safe and Drug-Free Schools and Communities State Grants	DR-S1	84.186	9,942	-	9,709	-
Improving Teacher Quality State Grants	TR-S1	84.367	51,312	-	53,997	-
Education Technology State Grant	TJ-S1	84.318	5,659	-	6,150	-
Total United States Department of Education			703,881	-	701,606	-
<b>Total Federal Financial Assistance</b>			<b>\$ 855,015</b>	<b>\$ 50,828</b>	<b>\$ 852,740</b>	<b>\$ 50,828</b>

N/A - Pass through entity number not available

See notes to the schedule of federal awards receipts and expenditures

**BETHEL TATE LOCAL SCHOOL DISTRICT**  
**Clermont County, Ohio**

*Notes to Schedule of Federal Awards Receipts and Expenditures*  
*For the Fiscal Year Ended June 30, 2005*

**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 NUTRITION CLUSTER**

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

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

**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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Ohio Society of Certified Public Accountants

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel-Tate Local School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 26, 2006 in which we indicated the District implemented GASB Statements No. 40 and 41 and GASB Technical Bulletin 2004-2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to the management of the District in a separate letter dated January 26, 2006.

Members of the Board

Bethel Tate Local School District

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

Page 2

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

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

Balestra, Harr & Scherer, CPAs, Inc.

January 26, 2006

# BALESTRA, HARR & SCHERER, CPAs, INC.

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

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

### **Compliance**

We have audited the compliance of Bethel-Tate Local School District (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 are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### **Internal Control Over Compliance**

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

Members of the Board

Bethel Tate Local School District

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Balestra, Harr & Scherer, CPAs, Inc.

January 26, 2006

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 SECTION .505**

**BETHEL-TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO  
JUNE 30, 2005**

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

<i>(d)(I)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(I)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(I)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(I)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(I)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(I)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(I)(v)</i>	<b>Type of Major Programs ' Compliance Opinion</b>	Unqualified
<i>(d)(I)(vi)</i>	<b>Are there any reportable findings under ' .510?</b>	No
<i>(d)(I)(vii)</i>	<b>Major Programs (list):</b>	Special Education – Grants to States, CFDA #84.027 & Nutrition Cluster, CFDA #10.550 & 10.555
<i>(d)(I)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(I)(ix)</i>	<b>Low Risk Auditee?</b>	No

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 SECTION .505**  
**(Continued)**

**BETHEL-TATE LOCAL SCHOOL DISTRICT**  
**CLERMONT COUNTY, OHIO**  
**JUNE 30, 2005**

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

None

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

None

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .315(b)**

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO  
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code Section 5705.41 (D), Certifying funds	Yes	Corrected
2004-002	Material Internal Control Weakness - Inadequate controls in the lunchroom.	Yes	Corrected





**Auditor of State  
Betty Montgomery**

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**BETHEL-TATE LOCAL SCHOOL DISTRICT**

**CLERMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 4, 2006**