



Balestra, Harr & Scherer, CPAs, Inc.

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

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BETHEL-TATE LOCAL SCHOOL DISTRICT
CLERMONT COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2014
Fiscal Year Audited Under GAGAS: 2014



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bethel-Tate Local School District, Clermont County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

November 12, 2014

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

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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Balestra, Harr & Scherer, CPAs, Inc.

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

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel-Tate Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel-Tate Local School District, Clermont County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents 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 financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
October 24, 2014

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Bethel-Tate Local School District's (the School District) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2014. 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 and deferred inflows of resources at June 30, 2014 by \$18,565,075.
- The School District's net position of governmental activities decreased \$852,369.
- General revenues accounted for \$13,025,715 in revenue or 76 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,018,122 or 24 percent of total revenues of \$17,043,837.
- The School District had \$17,896,206 in expenses; \$4,018,122 of these expenses was offset by program specific charges for services and sales, grants, or contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The analysis of the School District as a whole begins with the Statement of Net Position 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, liabilities and deferred inflows/outflows of resources 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 position and changes to that position. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the School District's financial well-being. Some of these factors include the School District's tax base, current property tax laws in Ohio restricting revenue growth, the condition of capital assets, and required educational programs.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. 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, the Bond Retirement Debt Service Fund, and the Permanent Improvement Capital Projects Fund.

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

Fiduciary Funds. Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The School District's fiduciary funds consist of a private purpose trust fund and an agency fund which are used to maintain financial activity of the School District's college scholarship donations and student managed activities.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2014 compared to 2013.

Table 1
Net Position
Governmental Activities

| | Governmental Activities | |
|--|-------------------------|--------------|
| | 2014 | 2013 |
| Assets | | |
| Current and Other Assets | \$9,219,557 | \$8,628,603 |
| Capital Assets, Net | 22,365,910 | 22,823,630 |
| Total Assets | 31,585,467 | 31,452,233 |
| Deferred Outflows of Resources | | |
| Unamortized Deferred Amount on Refunding | 0 | 34,396 |
| Total Deferred Outflows of Resources | 0 | 34,396 |
| Liabilities | | |
| Current and Other Liabilities | 2,128,377 | 1,944,196 |
| Long-Term Liabilities | 8,081,622 | 7,050,272 |
| Total Liabilities | 10,209,999 | 8,994,468 |
| Deferred Inflows of Resources | | |
| Property Taxes not Levied to Finance Current Year Operations | 2,810,393 | 3,074,717 |
| Total Deferred Inflows of Resources | 2,810,393 | 3,074,717 |
| Net Position | | |
| Net Investment in Capital Assets | 16,181,357 | 17,068,572 |
| Restricted | 3,086,545 | 2,511,186 |
| Unrestricted | (702,827) | (162,314) |
| Total Net Position | \$18,565,075 | \$19,417,444 |

Total net position of the School District as a whole decreased \$852,369. The decrease to capital assets, net is due primarily to the current year depreciation expense and the loss on the disposal of capital assets, which was partially offset by current year additions. The increase to current and other assets is primarily due to increases in restricted equity in pooled cash and investments and restricted cash and cash equivalents with escrow agents at June 30. Current and Other Liabilities increased primarily due to an increase in contracts payable and retainage payable related to the energy conservation projects. Long-Term Liabilities increased due to the additions of a capital lease and energy conservation bonds which was partially offset by current year principal payments made by the School District.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014 compared to 2013.

| | Table 2 Change in Net Position Governmental Activities | |
|--|--|---------------|
| | 2014 | 2013* |
| Revenues | | |
| Program Revenues: | | |
| Charges for Services and Sales | \$ 1,818,663 | \$ 1,692,755 |
| Operating Grants & Contributions | 2,199,459 | 2,184,022 |
| Total Program Revenues | 4,018,122 | 3,876,777 |
| General Revenues: | | |
| Grants and Entitlements, Not Restricted to Specific Programs | 9,104,899 | 8,855,140 |
| Gifts and Donations, Not Restricted to Specific Programs | 27,487 | 10,926 |
| Investment Earnings | 17,938 | 3,429 |
| Miscellaneous | 90,533 | 45,745 |
| Gain on Sale of Capital Assets | - | 3,565 |
| Property Taxes | 3,784,858 | 3,440,732 |
| Total General Revenues | 13,025,715 | 12,359,537 |
| Total Revenues | 17,043,837 | 16,236,314 |
| Program Expenses | | |
| Instruction | | |
| Regular | 8,677,956 | 8,904,219 |
| Special | 2,214,484 | 1,907,712 |
| Vocational | 43,271 | 103,536 |
| Other | 121,466 | 101,775 |
| Support Services | | |
| Pupils | 837,580 | 802,313 |
| Instructional Staff | 460,230 | 395,836 |
| Board of Education | 21,382 | 31,074 |
| Administration | 1,168,950 | 1,173,274 |
| Fiscal | 386,262 | 368,347 |
| Operation and Maintenance of Plant | 1,552,087 | 1,442,965 |
| Pupil Transportation | 906,631 | 864,405 |
| Central | 39,476 | 112,716 |
| Operation of Non-Instructional Services | 641,713 | 613,788 |
| Extracurricular Activities | 417,454 | 408,703 |
| Interest and Fiscal Charges | 378,314 | 355,418 |
| Issuance Costs | 28,950 | - |
| Total Expenses | 17,896,206 | 17,586,081 |
| Special Item: | | |
| Refund of OFCC Monies | 0 | (198,937) |
| Increase (Decrease) in Net Position | (852,369) | (1,548,704) |
| Net Position at Beginning of Year | 19,417,444 | 20,966,148 |
| Net Position at End of Year | \$ 18,565,075 | \$ 19,417,444 |

* Certain reclassifications were made to prior year amounts in order to conform with the 2014 presentation.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Property taxes increased due to increases in amounts available as an advance. Charges for sales and service increased primarily due to an increase in tuition and fees. Grants and entitlements not restricted to specific programs increased as a result of increased foundation payments. Regular instruction decreased due to decreased accrued wages and a decrease in equipment purchases for the students. Special instruction increased due to increases in the Autism, Real, and Wasserman programs. Vocational instruction decreased due to the reduction of a home economics instructor. Operation and maintenance of plant increased due to an increase of maintenance related items during the fiscal year.

Governmental Activities

Unrestricted grants and entitlements comprised 53 percent of revenue for governmental activities of the Bethel-Tate Local School District for fiscal year 2014 and represent the largest source of revenue.

Property taxes comprised 22 percent of revenue for governmental activities of the School District for fiscal year 2014.

Operating grants and contributions and charges for services and sales comprised 13 percent and 11 percent of revenue for governmental activities, respectively, during 2014.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 62 percent of governmental program expenses with support services comprising 30 percent of governmental expenses. The Board of Education relies on State revenues to support increased student achievement within the School District.

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

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

| | 2014 | | 2013* | |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Instruction | \$ 11,057,177 | \$ 8,774,247 | \$ 11,017,242 | \$ 8,897,389 |
| Support Services | 5,372,598 | 4,708,593 | 5,190,930 | 4,642,931 |
| Operation of Non-Instructional Services | 641,713 | 31,357 | 613,788 | (46,129) |
| Extracurricular Activities | 417,454 | (29,377) | 408,703 | (121,299) |
| Interest and Fiscal Charges | 378,314 | 364,314 | 355,418 | 336,412 |
| Issuance Costs | 28,950 | 28,950 | - | - |
| Total Expenses | \$ 17,896,206 | \$ 13,878,084 | \$ 17,586,081 | \$ 13,709,304 |

* Certain reclassifications were made to prior year amounts in order to conform with the 2014 presentation.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

THE SCHOOL DISTRICT'S FUNDS

Information about the School District's major governmental funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$18,631,072 and expenditures and other financing uses of \$17,992,220. The net change in fund balance for the year was most significant in the Permanent Improvement Fund.

The fund balance of the General Fund increased by \$54,444. This increase is primarily due to revenues exceeding expenditures during the current year.

The fund balance of the Bond Retirement Fund increased by \$100,095. This increase was due to the payments for debt within the fund being lower than revenues.

The fund balance of the Permanent Improvement Fund increased by \$610,117. This increase was due to proceeds received for the issuance of bonds and a new capital lease being higher than the capital outlay expenditures for the year.

General Fund Budgeting Highlights

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

During 2014, there were revisions made to the General Fund budget. In part, the revisions decreased revenues by \$397,431 primarily due to intergovernmental revenue. Actual revenues and other financing sources were below final estimates in the amount of \$10,337. The revisions to the General Fund budget increased the appropriations by \$253,198. Final budgeted appropriations were \$366,188 above actual expenditures due to the School District maintaining tight fiscal control over expenditures. The School District's ending unobligated cash balance was \$1,777,564.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the School District had \$22,365,910 invested in its capital assets. Table 4 shows the fiscal year 2014 balances compared to 2013.

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

| | Governmental Activities | |
|----------------------------|-------------------------|---------------|
| | 2014 | 2013 |
| Land | \$ 1,117,851 | \$ 1,117,851 |
| Library Books | 594,334 | 594,334 |
| Construction in Progress | 806,024 | - |
| Land Improvements | 789,803 | 886,423 |
| Buildings and Improvements | 18,155,116 | 19,107,011 |
| Furniture and Equipment | 532,451 | 736,092 |
| Vehicles | 268,320 | 230,303 |
| Books | 51,625 | 84,913 |
| Infrastructure | 50,386 | 66,703 |
| | \$ 22,365,910 | \$ 22,823,630 |

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

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Debt

At June 30, 2014, the School District had \$7,145,927 in bonds, capital leases and certificates of participation outstanding at fiscal year-end with \$482,125 due within one year. Table 5 summarizes the School District's outstanding debt:

Table 5
 Outstanding Debt at Year End
 Governmental Activities

| | <u>2014</u> | <u>2013</u> |
|---|----------------------------|----------------------------|
| 2000 Classroom Facilities Improvement - 5.73% | \$ 255,000 | \$ 485,000 |
| 2007 General Obligation Refunding Bonds - 3.7%-4.00% | 2,590,000 | 2,650,000 |
| Premium | 167,725 | 191,685 |
| 2007 Capital Appreciation Bonds - 16.99% | 150,000 | 150,000 |
| Accretion on Capital Appreciation Bonds | 351,347 | 272,076 |
| 2014 Energy Conservation General Obligation Bonds - 3.31% | <u>755,000</u> | <u>-</u> |
| Total Long-Term Bonds | 4,269,072 | 3,748,761 |
| Capital Leases | 801,855 | 177,769 |
| Certificate of Participation Payable | <u>2,075,000</u> | <u>2,135,000</u> |
| Total Long Term Debt | <u><u>\$ 7,145,927</u></u> | <u><u>\$ 6,061,530</u></u> |

At June 30, 2014 the School District's overall legal debt margin was \$8,284,908 with an unvoted debt margin of \$156,777. For additional information regarding the debt of the School District, please see Note 11 to the Basic Financial Statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial status and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Amy M. Wells, Treasurer/CFO, Bethel-Tate Local School District, 675 West Plane Street, Bethel, Ohio 45106-1308.

Bethel-Tate Local School District
Statement of Net Position
June 30, 2014

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Current Assets: | |
| Equity in Pooled Cash and Investments | \$ 4,820,868 |
| Accrued Interest Receivable | 1,540 |
| Accounts Receivable | 728 |
| Intergovernmental Receivable | 191,984 |
| Taxes Receivable | 3,683,657 |
| Noncurrent Assets: | |
| Restricted Equity in Pooled Cash and Investments | 63,371 |
| Restricted Cash and Cash Equivalents with Escrow Agents | 457,409 |
| Non-Depreciable Capital Assets | 2,518,209 |
| Depreciable Capital Assets, net | 19,847,701 |
| <i>Total Assets</i> | 31,585,467 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 25,224 |
| Accrued Wages and Benefits | 1,524,267 |
| Contracts Payable | 195,966 |
| Intergovernmental Payable | 304,760 |
| Accrued Interest Payable | 13,000 |
| Matured Compensated Absences Payable | 1,789 |
| Retainage Payable | 63,371 |
| Noncurrent Liabilities: | |
| Long-Term Liabilities: | |
| Due Within One Year | 582,294 |
| Due in More Than One Year | 7,499,328 |
| <i>Total Liabilities</i> | 10,209,999 |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Taxes not Levied to Finance Current Year Operations | 2,810,393 |
| <i>Total Deferred Inflows of Resources</i> | 2,810,393 |
| NET POSITION | |
| Net Investment in Capital Assets | 16,181,357 |
| Restricted for Debt Service | 1,389,798 |
| Restricted for Capital Outlay | 935,523 |
| Restricted for Lunchroom Services | 357,816 |
| Restricted for Other Purposes | 403,408 |
| Unrestricted | (702,827) |
| <i>Total Net Position</i> | \$ 18,565,075 |

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---|----------------------|-----------------------------------|---------------------------------------|--|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | |
| GOVERNMENTAL ACTIVITIES | | | | |
| Instruction: | | | | |
| Regular | \$ 8,677,956 | \$ 687,952 | \$ 167,309 | \$ (7,822,695) |
| Special | 2,214,484 | 181,338 | 1,171,493 | (861,653) |
| Vocational | 43,271 | 3,095 | 816 | (39,360) |
| Other | 121,466 | 765 | 70,162 | (50,539) |
| Support Services: | | | | |
| Pupils | 837,580 | 74,454 | 16,807 | (746,319) |
| Instructional Staff | 460,230 | 29,093 | 15,236 | (415,901) |
| Board of Education | 21,382 | 1,988 | - | (19,394) |
| Administration | 1,168,950 | 104,949 | 2,408 | (1,061,593) |
| Fiscal | 386,262 | 35,876 | 651 | (349,735) |
| Operation and Maintenance of Plant | 1,552,087 | 105,326 | 174,643 | (1,272,118) |
| Pupil Transportation | 906,631 | 81,319 | 16,313 | (808,999) |
| Central | 39,476 | 4,942 | - | (34,534) |
| Operation of Non-Instructional Services | 641,713 | 236,085 | 374,271 | (31,357) |
| Extracurricular Activities | 417,454 | 257,481 | 189,350 | 29,377 |
| Interest and Fiscal Charges | 378,314 | 14,000 | - | (364,314) |
| Issuance Costs | 28,950 | - | - | (28,950) |
| <i>Total Governmental Activities</i> | <u>\$ 17,896,206</u> | <u>\$ 1,818,663</u> | <u>\$ 2,199,459</u> | (13,878,084) |

| | | |
|---|--|----------------------|
| GENERAL REVENUES | | |
| Grants and Entitlements not Restricted to Specific Programs | | 9,104,899 |
| Gifts and Donations not Restricted to Specific Programs | | 27,487 |
| Investment Earnings | | 17,938 |
| Miscellaneous | | 90,533 |
| Property Taxes Levied for: | | |
| General Purposes | | 3,268,534 |
| Special Purposes | | 61,764 |
| Debt Service | | 454,560 |
| <i>Total General Revenues</i> | | <u>13,025,715</u> |
| Change in Net Position | | (852,369) |
| <i>Net Position Beginning of Year</i> | | <u>19,417,444</u> |
| <i>Net Position End of Year</i> | | <u>\$ 18,565,075</u> |

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Balance Sheet
Governmental Funds
June 30, 2014

| | General | Bond Retirement | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|--------------------------|-----------------------------|-----------------------------|
| ASSETS | | | | | |
| Equity in Pooled Cash and Investments | \$ 1,974,972 | \$ 1,284,517 | \$ 674,080 | \$ 887,299 | \$ 4,820,868 |
| Accrued Interest Receivable | 1,540 | - | - | - | 1,540 |
| Accounts Receivable | 728 | - | - | - | 728 |
| Restricted Assets: | | | | | |
| Equity in Pooled Cash and Investments | - | - | 63,371 | - | 63,371 |
| Cash and Cash Equivalents with Escrow Agents | - | - | 457,409 | - | 457,409 |
| Intergovernmental Receivable | 80,181 | - | - | 111,803 | 191,984 |
| Taxes Receivable | 3,184,671 | 439,105 | - | 59,881 | 3,683,657 |
| <i>Total Assets</i> | <u>\$ 5,242,092</u> | <u>\$ 1,723,622</u> | <u>\$ 1,194,860</u> | <u>\$ 1,058,983</u> | <u>\$ 9,219,557</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | | |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 23,651 | \$ - | \$ - | \$ 1,573 | \$ 25,224 |
| Accrued Wages and Benefits | 1,368,367 | - | - | 155,900 | 1,524,267 |
| Contracts Payable | - | - | 195,966 | - | 195,966 |
| Intergovernmental Payable | 266,121 | - | - | 38,639 | 304,760 |
| Matured Compensated Absences Payable | 1,789 | - | - | - | 1,789 |
| Retainage Payable | - | - | 63,371 | - | 63,371 |
| <i>Total Liabilities</i> | <u>1,659,928</u> | <u>-</u> | <u>259,337</u> | <u>196,112</u> | <u>2,115,377</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Property taxes not levied to finance current year operations | 2,430,903 | 333,824 | - | 45,666 | 2,810,393 |
| Unavailable Revenue - Delinquent Taxes | 83,968 | 10,881 | - | 1,515 | 96,364 |
| Unavailable Revenue - Grants | - | - | - | 110,603 | 110,603 |
| <i>Total Deferred Inflows of Resources</i> | <u>2,514,871</u> | <u>344,705</u> | <u>-</u> | <u>157,784</u> | <u>3,017,360</u> |
| FUND BALANCES | | | | | |
| Restricted | - | 1,378,917 | 935,523 | 753,129 | 3,067,569 |
| Assigned | 1,067,293 | - | - | - | 1,067,293 |
| Unassigned | - | - | - | (48,042) | (48,042) |
| <i>Total Fund Balances</i> | <u>1,067,293</u> | <u>1,378,917</u> | <u>935,523</u> | <u>705,087</u> | <u>4,086,820</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$ 5,242,092</u> | <u>\$ 1,723,622</u> | <u>\$ 1,194,860</u> | <u>\$ 1,058,983</u> | <u>\$ 9,219,557</u> |

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

| | | |
|---|------------------|----------------------|
| Total Governmental Fund Balances | | \$ 4,086,820 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 22,365,910 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | | |
| Taxes | 96,364 | |
| Intergovernmental | <u>110,603</u> | |
| Total | | 206,967 |
| Accrued interest payable on long-term debt is not reported in the funds. | | (13,000) |
| Long-term liabilities and deferred outflows of resources, including bonds, certificates of participation, capital lease obligations, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds. | | |
| Capital Lease Obligations | (801,855) | |
| Compensated Absences | (935,695) | |
| Certificates of Participation | (2,075,000) | |
| General Obligation Refunding Bonds | (2,590,000) | |
| Capital Appreciation Bonds | (150,000) | |
| Accreted Debt from Capital Appreciation Bonds | (351,347) | |
| General Obligation Bonds | (255,000) | |
| Premium from Refunding Bonds | (167,725) | |
| HB 264 Bonds | <u>(755,000)</u> | |
| Total | | <u>(8,081,622)</u> |
| Net Position of Governmental Activities | | <u>\$ 18,565,075</u> |

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, 2014

| | General | Bond Retirement | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|--------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 3,311,253 | \$ 460,634 | \$ - | \$ 62,570 | \$ 3,834,457 |
| Intergovernmental | 10,030,562 | 69,541 | - | 1,095,353 | 11,195,456 |
| Interest | 16,916 | - | 91 | 931 | 17,938 |
| Tuition and Fees | 1,254,756 | - | - | - | 1,254,756 |
| Rent | 8,269 | - | - | - | 8,269 |
| Extracurricular Activities | 50,580 | - | - | 202,478 | 253,058 |
| Customer Sales and Services | 68,927 | - | - | 233,653 | 302,580 |
| Gifts and Donations | 27,487 | - | - | 28,538 | 56,025 |
| Miscellaneous | 84,488 | - | - | 6,045 | 90,533 |
| <i>Total Revenues</i> | <u>14,853,238</u> | <u>530,175</u> | <u>91</u> | <u>1,629,568</u> | <u>17,013,072</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 7,398,600 | - | - | 268,871 | 7,667,471 |
| Special | 1,949,138 | - | - | 270,893 | 2,220,031 |
| Vocational | 33,161 | - | - | - | 33,161 |
| Other | 8,198 | - | - | 113,268 | 121,466 |
| Support Services: | | | | | |
| Pupils | 808,123 | - | - | 27,133 | 835,256 |
| Instructional Staff | 305,354 | - | - | 23,922 | 329,276 |
| Board of Education | 21,303 | - | - | - | 21,303 |
| Administration | 1,149,170 | - | - | 3,888 | 1,153,058 |
| Fiscal | 382,115 | - | - | 1,051 | 383,166 |
| Operation and Maintenance of Plant | 1,126,171 | - | - | 275,988 | 1,402,159 |
| Pupil Transportation | 871,745 | - | - | 26,335 | 898,080 |
| Central | 52,955 | - | - | - | 52,955 |
| Operation of Non-Instructional Services | 26,055 | - | - | 607,877 | 633,932 |
| Extracurricular Activities | 47,390 | - | - | 305,679 | 353,069 |
| Capital Outlay | 176,862 | - | 806,024 | - | 982,886 |
| Debt Service: | | | | | |
| Principal | 125,447 | 290,000 | - | 467 | 415,914 |
| Interest and Fiscal Charges | 150,007 | 140,080 | - | - | 290,087 |
| Issuance Costs | - | - | 28,950 | - | 28,950 |
| <i>Total Expenditures</i> | <u>14,631,794</u> | <u>430,080</u> | <u>834,974</u> | <u>1,925,372</u> | <u>17,822,220</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>221,444</u> | <u>100,095</u> | <u>(834,883)</u> | <u>(295,804)</u> | <u>(809,148)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| General Obligation Bonds Issued | - | - | 755,000 | - | 755,000 |
| Transfers In | - | - | - | 170,000 | 170,000 |
| Inception of Capital Lease | - | - | 690,000 | - | 690,000 |
| Proceeds from the Sale of Capital Assets | 3,000 | - | - | - | 3,000 |
| Transfers Out | (170,000) | - | - | - | (170,000) |
| <i>Total Other Financing Sources(Uses)</i> | <u>(167,000)</u> | <u>-</u> | <u>1,445,000</u> | <u>170,000</u> | <u>1,448,000</u> |
| <i>Net Change in Fund Balances</i> | 54,444 | 100,095 | 610,117 | (125,804) | 638,852 |
| <i>Fund Balances Beginning of Year</i> | 1,012,849 | 1,278,822 | 325,406 | 830,891 | 3,447,968 |
| <i>Fund Balances End of Year</i> | <u>\$ 1,067,293</u> | <u>\$ 1,378,917</u> | <u>\$ 935,523</u> | <u>\$ 705,087</u> | <u>\$ 4,086,820</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, 2014*

| | | |
|--|--------------------|-------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 638,852 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period. | | |
| Capital Asset Additions | 1,142,046 | |
| Current Year Depreciation | <u>(1,413,325)</u> | |
| Total | | (271,279) |
| Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. | | |
| Proceeds from the Sale of Capital Assets | (3,000) | |
| Loss on Disposal of Capital Assets | <u>(183,441)</u> | |
| Total | | (186,441) |
| Governmental funds report the inception of capital lease as an increase in other financing sources. The lease is not recorded as a resource in the statement of activities. | | |
| | | (690,000) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Taxes | (49,599) | |
| Intergovernmental | <u>80,364</u> | |
| Total | | 30,765 |
| Issuances of debt are recorded as revenues in the governmental funds but are not reported on the statement of activities. | | |
| | | (755,000) |
| The amortization of premium from the sale of bonds is recorded as a reduction of liability in the statement of net position, but does not result in an expenditure in the governmental funds. | | |
| | | 23,960 |
| Deferred amounts on refunding are included as expenditures in the funds, but are deferred and amortized over the life of the bonds in the government-wide financial statements. | | |
| | | (34,396) |
| Repayment of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. | | |
| | | 290,000 |
| Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. | | |
| | | 65,914 |
| Repayment of certificate of participation obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. | | |
| | | 60,000 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Decrease in Compensated Absences | 53,047 | |
| Decrease in Interest Payable | 1,480 | |
| Increase in Accreted Debt | <u>(79,271)</u> | |
| Total | | <u>(24,744)</u> |
| Net Change in Net Position of Governmental Activities | \$ | <u>(852,369)</u> |

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, 2014

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget: Positive (Negative)</u> |
|--|-------------------------|--------------------|--------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Taxes | \$3,073,652 | \$3,060,255 | \$3,060,253 | (\$2) |
| Intergovernmental | 10,390,890 | 9,913,225 | 9,897,333 | (15,892) |
| Interest | 8,000 | 8,543 | 9,586 | 1,043 |
| Tuition and Fees | 1,113,400 | 1,210,384 | 1,210,384 | 0 |
| Miscellaneous | 20,200 | 16,304 | 43,752 | 27,448 |
| Total Revenues | <u>14,606,142</u> | <u>14,208,711</u> | <u>14,221,308</u> | <u>12,597</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 7,487,231 | 7,533,806 | 7,512,897 | 20,909 |
| Special | 1,881,385 | 2,070,524 | 1,967,274 | 103,250 |
| Vocational | 63,979 | 56,218 | 53,081 | 3,137 |
| Other | 6,081 | 9,587 | 8,235 | 1,352 |
| Support Services: | | | | |
| Pupils | 791,694 | 911,394 | 810,390 | 101,004 |
| Instructional Staff | 491,134 | 393,035 | 354,976 | 38,059 |
| Board of Education | 26,092 | 48,211 | 34,263 | 13,948 |
| Administration | 1,070,578 | 1,097,142 | 1,094,146 | 2,996 |
| Fiscal | 457,133 | 395,783 | 394,009 | 1,774 |
| Operation and Maintenance of Plant | 1,277,623 | 1,170,813 | 1,123,401 | 47,412 |
| Pupil Transportation | 952,131 | 993,088 | 981,457 | 11,631 |
| Central | 81,582 | 99,378 | 85,242 | 14,136 |
| Operation of Non-Instructional Services | 31,372 | 31,923 | 25,343 | 6,580 |
| Debt Service: | | | | |
| Principal | 60,000 | 60,000 | 60,000 | 0 |
| Interest | 114,854 | 154,819 | 154,819 | 0 |
| Total Expenditures | <u>14,792,869</u> | <u>15,025,721</u> | <u>14,659,533</u> | <u>366,188</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(186,727)</u> | <u>(817,010)</u> | <u>(438,225)</u> | <u>378,785</u> |
| OTHER FINANCING SOURCES AND USES: | | | | |
| Sale of Capital Assets | 0 | 3,000 | 3,000 | 0 |
| Transfers In | 20,000 | 20,346 | 20,346 | 0 |
| Refund of Prior Year Expenditures | 20,000 | 271,410 | 233,476 | (37,934) |
| Proceeds from Sale of Bonds | 0 | 0 | 15,000 | 15,000 |
| Inception of Capital Lease | 0 | 13,950 | 13,950 | 0 |
| Transfers Out | (195,000) | (215,346) | (215,346) | 0 |
| Total Other Financing Sources and Uses | <u>(155,000)</u> | <u>93,360</u> | <u>70,426</u> | <u>(22,934)</u> |
| Net Change in Fund Balances | (341,727) | (723,650) | (367,799) | 355,851 |
| Fund Balance at Beginning of Year | 2,020,393 | 2,020,393 | 2,020,393 | 0 |
| Prior Year Encumbrances Appropriated | 124,970 | 124,970 | 124,970 | 0 |
| Fund Balance at End of Year | <u>\$1,803,636</u> | <u>\$1,421,713</u> | <u>\$1,777,564</u> | <u>\$355,851</u> |

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

| | Private Purpose Trust Fund | Agency Fund |
|---------------------------------------|----------------------------------|-------------------|
| | <u> </u> | <u> </u> |
| ASSETS: | | |
| Equity in Pooled Cash and Investments | \$ 1,416 | \$ 39,467 |
| | <u> </u> | <u> </u> |
| LIABILITIES: | | |
| Undistributed Monies | - | 39,467 |
| | <u> </u> | <u> </u> |
| <i>Total Liabilities</i> | | \$ 39,467 |
| | | <u> </u> |
| NET POSITION: | | |
| Held in Trust for Scholarships | 1,416 | |
| | <u> </u> | |
| <i>Total Net Position</i> | \$ 1,416 | |
| | <u> </u> | |

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

| | Private Purpose Trust Fund |
|--|----------------------------------|
| ADDITIONS: | |
| Gifts and Contributions | <u>\$ 3,000</u> |
| <i>Total Additions</i> | 3,000 |
| DEDUCTIONS: | |
| Payments in Accordance with Trust Agreements | <u>2,292</u> |
| Change in Net Position | 708 |
| <i>Net Position Beginning of Year</i> | <u>708</u> |
| <i>Net Position End of Year</i> | <u><u>\$ 1,416</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, 2014

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in the early 1800s through the consolidation of existing land areas and school districts. The School District serves an area of approximately 48.04 square miles. It is located in Clermont County, and includes the Village of Bethel and Tate Township. It is staffed by 65 non-certificated employees, 112 certificated full-time teaching personnel and 10 administrative employees who provide services to 1,722 students and other community members. The School District currently operates 4 instructional buildings, 1 Central Office/Transportation Building, and 1 maintenance garage.

Reporting Entity:

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

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

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

- Boosters Clubs

The School District is associated with five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are the Hamilton/Clermont Cooperative Association/Unified Purchasing Association, the U.S. Grant Joint Vocational School, the Hamilton/Clermont Cooperative Association, the Clermont County Health Consortium, and the Sheakley Workers' Comp and Safety Group Retrospective Rating Plan. These organizations and the School District's participation are discussed in Notes 12, 13 and 14 to the Basic Financial Statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

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

Governmental Funds

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

General Fund

The General Fund is the general operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Bond Retirement Fund

The Bond Retirement Fund is a debt service fund used to account for the accumulation of financial resources restricted, committed, or assigned for the payment of general long-term debt. The major source of revenue for this fund is tax levy proceeds.

Permanent Improvement Fund

The Permanent Improvement Fund is a capital projects fund used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705 of the Ohio Revised Code.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's fiduciary funds consist of a private purpose trust fund and an agency fund which are used to maintain financial activity of the School District's college scholarship donations and student managed activities.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position 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, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

The statement of net position 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 position 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, deferred inflows/outflows of resources and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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, deferred inflows/outflows of resources 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 inflows and outflows of resources, 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, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District had no deferred outflow of resources as of June 30, 2014. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and grants which are not collected in the available period. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2014.

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

Cash and Investments

Cash received by the School District is deposited into one of several bank accounts with individual fund balance integrity maintained. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All investment earnings accrue to the General Fund except those specifically related to those funds deemed appropriate according to Board of Education policy. Interest earned amounted to \$17,938 in which \$16,916 was recorded in the General Fund, \$91 was recorded in the Permanent Improvement Fund, and \$931 was recorded in the other governmental funds.

The School District records all its investments at fair value. For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three month or less at the time they are purchased by the School District are presented as Equity in Pooled Cash and Investments on the financial statements. The School District has invested in a money market funds, U.S. Treasury Security, and U.S. Governmental Agency securities.

The School District has \$457,409 in a separate bank account which is the unexpended proceeds from the capital lease (as more fully described in Note 11) which is recorded as "Restricted Cash and Cash Equivalents with Fiscal Agents."

The School District has recorded restricted cash in the basic financial statements for retainage payable of \$63,371. This cash is recorded in the basic financial statements as "restricted equity in pooled cash and investments".

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 position but are not reported in the fund financial statements.

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

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

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

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

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-Term Obligations

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations (Continued)

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

Interfund Balances

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

Net Position

Net position represents the difference between asset, liabilities and deferred inflows/outflows of resources. Net investment in capital assets; 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 position is 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 position restricted for other purposes represents balances in special revenue funds for grants received which are restricted as to their use by grantors.

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

The government-wide statement of net position reports \$3,086,545 in restricted net position, none of which is restricted by enabling legislation.

Interfund Transactions

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

Fund Balance

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

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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

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

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

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

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

Estimates

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

NOTE 3 - BUDGET TO GAAP RECONCILIATION

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis, as provided by law, and described above, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis), for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis).

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 3 - BUDGET TO GAAP RECONCILIATION (Continued)

3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance for governmental fund types (GAAP basis).
4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

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

| | Net Change in Fund Balance |
|--|----------------------------|
| | General |
| GAAP Basis | \$54,444 |
| Adjustments: | |
| Revenue Accruals | (213,940) |
| Expenditure Accruals | (116,828) |
| Perspective Difference: | |
| Activity of Funds Reclassed for GAAP Reporting Purposes | 9,258 |
| Encumbrances | (100,733) |
| Budget Basis | \$(367,799) |

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2014, the School District’s bank balance of \$3,509,520 was either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

Investments At June 30, 2014, the School District had the following investments:

| Investment Type | Fair Value | Less Than One Year | 1-2 Years | 3-5 Years |
|--------------------|--------------------|-----------------------|--------------------|------------------|
| Money Market Funds | \$516,227 | \$516,227 | \$- | \$- |
| FFCB Notes | 110,004 | - | 110,004 | - |
| FHLB Notes | 185,438 | - | 185,438 | - |
| FNMA Notes | 912,374 | - | 734,367 | 178,007 |
| FHLMC Bonds | 380,329 | 160,000 | 220,329 | - |
| US Treasury Bill | 55,047 | 55,047 | - | - |
| Total | \$2,159,419 | \$731,274 | \$1,250,138 | \$178,007 |

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District’s policy places limitations on the types of investments the School District may invest in. The School District’s policy authorizes investment in allowable securities as outlined in Ohio Revised Code Section 135. The School District’s investments in FFCB, FHLB, FNMA, and FHLMC were each rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The Money Market Funds were rated AAAm by Standard & Poor’s. The US Treasury Bill has been rated Aaa by Standard & Poor’s.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2014:

| Investment Type | Fair Value | % of Total |
|--------------------|--------------------|---------------|
| Money Market Funds | \$516,227 | 23.9% |
| FFCB Notes | 110,004 | 5.1% |
| FHLB Notes | 185,438 | 8.6% |
| FNMA Notes | 912,374 | 42.3% |
| FHLMC Bonds | 380,329 | 17.6% |
| US Treasury Bill | 55,047 | 2.5% |
| Total | \$2,159,419 | 100.0% |

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Clermont and Brown Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 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, 2014. 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 inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2014, was \$669,800 in the General Fund, \$94,400 in the Debt Service Fund, and \$12,700 in Other Governmental Funds.

The assessed values upon which fiscal year 2014 taxes were collected are:

| | 2013 Second- Half Collections | | 2014 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$ 151,285,990 | 97.15% | \$ 151,961,020 | 96.93% |
| Public Utility | 4,443,310 | 2.85% | 4,815,740 | 3.07% |
| Total Assessed Value | \$ 155,729,300 | 100.00% | \$ 156,776,760 | 100.00% |
| Tax rate per \$1,000 of assessed valuation | \$ 36.86 | | \$ 36.86 | |

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 6 - RECEIVABLES

Receivables at June 30, 2014, consisted of accounts, property taxes, interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

| | Receivable Amount |
|---------------------------------------|----------------------|
| Major Fund: | |
| General Fund | \$80,181 |
| Non-major Special Revenue Funds: | |
| HSTW | 1,225 |
| Title VI B | 30,652 |
| Title I | 78,401 |
| Title II-A | 1,525 |
| Total Non-major Special Revenue Funds | 111,803 |
| Total Receivable | \$191,984 |

NOTE 7 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with Argonaut Insurance for coverage for liability, real property, building and contents, and vehicles. Vehicles policies include liability coverage for bodily injury and property damage. Coverage provided is as follows:

| | |
|---|--------------|
| Building and Contents-replacement cost (\$1,000 deductible) | \$46,152,684 |
| Automobile Liability (No deductible) | 1,000,000 |
| Uninsured Motorists (No deductible) | 1,000,000 |
| General Liability | |
| Per occurrence | 1,000,000 |
| Total per year | 3,000,000 |

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

For fiscal year 2014, the School District participated in the Sheakley Workers' Compensation and Safety Group Retrospective Rating Plan (Plan), an insurance purchasing pool (Note 14). The intent of the GRP is to reward participants that are able to keep their claims cost low. School districts continue to pay their individual premium directly to the Ohio Bureau of Workers' Compensation (BWC). School districts will then have future premium adjustments (refunds or assessments) at the end of each of the three evaluation periods. For the 2014 Plan, the evaluation periods will be January 2016, January 2017 and January 2018. Refunds or assessments will be calculated by the Ohio BWC, based on the pro-rata share of the districts individual premium compared to the overall Plan premium.

Participation in the Group Retrospective Rating Plan is limited to school districts that can meet the programs selection criteria. The firm of Sheakley UniService Inc. provides administrative, cost control and actuarial services to the Plan.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 7 - RISK MANAGEMENT (Continued)

The School District is a member of the Clermont County Health Consortium, a public entity shared risk pool (Note 13), consisting of a number of school districts and an educational service center within the County offering health, dental, life and/or other insurance benefits to their employees. During fiscal year 2014, monthly premiums were paid to the Clermont County Health Consortium, who paid the claims on the School District's behalf. Monthly premiums are paid to the Clermont County Educational Service Center, as fiscal agent for the Clermont County Health Consortium, who in turns pays the claims on the School District's behalf. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, the School District shall have no obligation under the plan beyond paying a withdrawal fee in an amount equal to two months' premiums at the School District's then current rates. However, notification of termination from the Consortium must be at least one hundred eighty days prior to the July 1 anniversary date of the Consortium's health plan. Any claims and expenses through the anniversary date of the Consortium's health plan shall be paid from the funds of the Consortium.

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

| | Ending Balance 06/30/13 | Additions | Deletions | Ending Balance 06/30/14 |
|---|-------------------------------|---------------------|---------------------|----------------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Library Books | \$ 594,334 | \$ - | \$ - | \$ 594,334 |
| Land | 1,117,851 | - | - | 1,117,851 |
| Construction in Progress | - | 806,024 | - | 806,024 |
| Total Capital Assets, Not Being Depreciated | <u>1,712,185</u> | <u>806,024</u> | <u>-</u> | <u>2,518,209</u> |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 1,541,617 | - | - | 1,541,617 |
| Buildings and Improvements | 36,632,501 | 46,956 | (21,005) | 36,658,452 |
| Furniture and Equipment | 3,601,130 | 60,169 | (675,742) | 2,985,557 |
| Vehicles | 948,591 | 228,897 | (221,740) | 955,748 |
| Books | 374,407 | - | (231,630) | 142,777 |
| Infrastructure | 131,576 | - | (3,473) | 128,103 |
| Total Capital Assets, Being Depreciated | <u>43,229,822</u> | <u>336,022</u> | <u>(1,153,590)</u> | <u>42,412,254</u> |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (655,194) | (96,620) | - | (751,814) |
| Buildings and Improvements | (17,525,490) | (977,846) | - | (18,503,336) |
| Furniture and Equipment | (2,865,038) | (126,215) | 538,147 | (2,453,106) |
| Vehicles | (718,288) | (190,880) | 221,740 | (687,428) |
| Books | (289,494) | (5,446) | 203,788 | (91,152) |
| Infrastructure | (64,873) | (16,318) | 3,474 | (77,717) |
| Total Accumulated Depreciation | <u>(22,118,377)</u> | <u>(1,413,325)</u> | <u>967,149</u> | <u>(22,564,553)</u> |
| Total Capital Assets Being Depreciated, Net | <u>21,111,445</u> | <u>(1,077,303)</u> | <u>(186,441)</u> | <u>19,847,701</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 22,823,630</u> | <u>\$ (271,279)</u> | <u>\$ (186,441)</u> | <u>\$ 22,365,910</u> |

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 8 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

| | | |
|---|----|-------------------------|
| Instruction: | | |
| Regular | \$ | 969,639 |
| Special | | 506 |
| Vocational | | 10,110 |
| Support Services: | | |
| Pupils | | 12,646 |
| Instructional Staff | | 62,742 |
| Board of Education | | 79 |
| Administration | | 40,503 |
| Fiscal | | 785 |
| Operation and Maintenance of Plant | | 141,546 |
| Pupil Transportation | | 91,409 |
| Central | | 7,527 |
| Operation of Non-Instructional Services | | 11,448 |
| Extracurricular Activities | | 64,385 |
| Total Depreciation Expense | \$ | <u><u>1,413,325</u></u> |

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$170,671, \$278,429, and \$244,745, respectively; 78 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. \$47,037 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

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

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System (Continued)

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Eligible members who do not make a choice during the reselection period will permanently remain under their current 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 for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

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

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

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System (Continued)

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

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

For the fiscal year ended June 30, 2014, plan members were required to contribute 11% of their annual covered salaries. For fiscal years 2013 and 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was allocated for pension benefits.

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$698,219, \$931,476, and \$800,646, respectively; 85 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. \$122,724 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Effective July 1, 2014, plan members will be required to contribute 12% of their annual covered salaries.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, none of the members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$63,633, \$66,534, and \$64,401, for fiscal years 2014, 2013, and 2012, respectively, which equaled the required allocation for each year.

B. School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2014, 2013, and 2012, the actuarially required allocation was 0.76 percent, 0.74 percent, and 0.75 percent. For the School District, contributions for the years ended June 30, 2014, 2013, and 2012, were \$13,726, \$14,717, and \$15,880, which equaled the required contributions for those years.

Health Care Plan

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

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2014, 2013, and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2014, 2013, and 2012 fiscal years equaled \$36,184, \$23,707, and \$50,812, respectively, which equaled the required allocations for those years.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS website at www.ohsers.org under *Employers/Audit Resources*.

NOTE 11 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

| | Principal Outstanding 06/30/13 | Additions | Deductions | Principal Outstanding 06/30/14 | Due in One Year |
|---|--------------------------------------|---------------------|---------------------|--------------------------------------|--------------------|
| 2000 Classroom Facilities | | | | | |
| Improvement Bonds 5.73% | \$ 485,000 | \$ - | \$ 230,000 | \$ 255,000 | \$ 255,000 |
| 2007 General Obligation Refunding | | | | | |
| Bonds 3.70%-4.00% | 2,650,000 | - | 60,000 | 2,590,000 | 65,000 |
| Premium | 191,685 | - | 23,960 | 167,725 | - |
| Capital Appreciation Bonds 16.99% | 150,000 | - | - | 150,000 | - |
| Accretion on Capital Appreciation Bonds | 272,076 | 79,271 | - | 351,347 | - |
| 2014 Energy Conservation | | | | | |
| General Obligation Bonds 3.31% | - | 755,000 | - | 755,000 | - |
| Total Long-Term Bonds | 3,748,761 | 834,271 | 313,960 | 4,269,072 | 320,000 |
| Capital Leases | 177,769 | 690,000 | 65,914 | 801,855 | 99,125 |
| Certificate of Participation Payable | 2,135,000 | - | 60,000 | 2,075,000 | 63,000 |
| Compensated Absences | 988,742 | 591,726 | 644,773 | 935,695 | 100,169 |
| Total Long-Term Obligations | \$ 7,050,272 | \$ 2,115,997 | \$ 1,084,647 | \$ 8,081,622 | \$ 582,294 |

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

Classroom Facilities Improvement Bonds - On April 1, 2000, Bethel-Tate Local School District issued \$6,075,500 in unvoted general obligation bonds for the purpose of purchasing land, building a gym, and classroom improvements. The bonds were issued for a twenty-two year period with a final maturity during fiscal year 2023. During fiscal year 2007, a portion of these bonds were refunded. The bonds are being retired from the debt service fund.

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

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

The capital appreciation bonds, issued at \$150,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2016 and 2017. The maturity amount of the capital appreciation bonds is \$705,000. For fiscal year 2014, the capital appreciation bonds were accreted \$79,271. Total accretion as of June 30, 2014 was \$351,347.

The net loss on the refunding of the bonds in the amount of \$275,196 was originally recorded as a reduction of the bonds and was being amortized (added to) the bond liability over the life of the refunded Bonds. The unamortized portion of the net loss is now recorded as a deferred outflow of resources on the Statement of Net Position. As of June 30, 2014, the net loss on the refunding bonds had been entirely amortized.

Energy Conservation General Obligation Bonds - On February 28, 2014, Bethel-Tate Local School District issued \$755,000 in general obligation bonds for the purpose of acquiring energy conservation measures that will significantly reduce energy consumption in the form of control systems, lighting systems, and HVAC systems. The bonds were issued for a fifteen year period with a final maturity during fiscal year 2029. The bonds are being retired from the permanent improvement fund. As of June 30, 2014, \$63,371 in retainage was due to contractors.

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014, are as follows:

| Fiscal Year Ending June 30, | 2000 Classroom Facilities Principal | 2000 Classroom Facilities Interest | 2007 Capital Appreciation Principal | 2007 Current Interest Bonds Principal | 2007 Current Interest Bonds Interest |
|-----------------------------------|---|--|---|---|--|
| 2015 | \$255,000 | \$8,479 | \$0 | \$65,000 | \$105,325 |
| 2016 | 0 | 0 | 350,000 | 0 | 104,025 |
| 2017 | 0 | 0 | 355,000 | 0 | 104,005 |
| 2018 | 0 | 0 | 0 | 365,000 | 96,269 |
| 2019 | 0 | 0 | 0 | 405,000 | 79,906 |
| 2020-2023 | 0 | 0 | 0 | 1,755,000 | 134,650 |
| Total | \$255,000 | \$8,479 | \$705,000 | \$2,590,000 | \$624,180 |

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

| Fiscal Year Ending June 30, | 2014 Energy Conservation Principal | 2014 Energy Conservation Interest |
|--------------------------------|--|---|
| 2015 | \$0 | \$32,658 |
| 2016 | 43,000 | 24,279 |
| 2017 | 45,000 | 22,822 |
| 2018 | 46,000 | 21,316 |
| 2019 | 48,000 | 19,761 |
| 2020-2024 | 263,000 | 73,631 |
| 2025-2029 | 310,000 | 26,315 |
| Total | \$755,000 | \$220,782 |

Capital Lease Obligation

During previous fiscal years, the School District entered into capital leases for copiers and a postage machine. During prior fiscal years, the lease was upgraded as more equipment was added. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease payments for all these leases will be classified as debt service in the General Fund in the fund financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. The capital assets acquired by the leases have been capitalized in the statement of net position for governmental activities in the amount of \$389,396. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2014 totaled \$65,914. 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 lease obligations are being repaid from the General Fund.

In fiscal year 2014, the School District entered into a lease-purchase agreement to acquire DDC Control Systems as part of an Energy Performance Contract with Four Seasons Environmental, Inc. The District will retain title to the DDC Control Systems during the lease term. Four Seasons Environmental, Inc. has assigned Huntington Public Corporation as trustee. Huntington Public Corporation deposited \$690,000 in the School District's name with a fiscal agent for the control systems. Amounts were paid to contractors by the School District as the work progressed. The School District then submitted the invoices to the agent for reimbursement. The School District makes semi-annual lease payments to Huntington National Bank. The interest rate is fixed at 3.51 percent. The lease expires in fiscal year 2029. The outstanding principal amount on the lease at June 30, 2014 is \$690,000.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

The School District's future minimum lease payments under capital lease obligations for Governmental Activities as of June 30, 2014 are as follows:

| Fiscal Year Ending June 30, | Payments |
|--|-------------------------|
| 2015 | \$130,001 |
| 2016 | 132,156 |
| 2017 | 62,541 |
| 2018 | 55,095 |
| 2019 | 58,779 |
| 2020-2024 | 292,131 |
| 2025-2029 | <u>322,466</u> |
| | 1,053,169 |
| Less: Interest | <u>(251,314)</u> |
| Present Value of Minimum Lease Payments | <u><u>\$801,855</u></u> |

Certificates of Participation

In previous fiscal years, the School District entered into certificates of participation to finance a variety of projects including a portion of the classroom facilities project, as well as, several other construction projects, the acquisition of new school buses, computers and computer related software, and for the construction of a new transportation facility. During fiscal year 2006 and 2007, the School District entered into certificates of participation to finance the construction of a new Central Office/Transportation Building. The School District is leasing the projects from Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the certificate term. Columbus Regional Airport Authority has assigned US Bank as trustee. US Bank deposited \$511,000 in the School District's name with an escrow agent for the construction of the facility. Amounts were paid to contractors by the School District as the work progressed. As of June 30, 2014 no retainage was owed to contractors. The School District is making semi-annual payments to US Bank. Principal payments in fiscal year 2014 totaled \$60,000 in the governmental funds. This debt is being repaid from the General Fund.

The following table represents the payments required on the Certificate of Participation for the amount outstanding at June 30, 2014:

| Fiscal Year Ending June 30: | Principal | Interest | Total |
|--------------------------------|--------------------|--------------------|--------------------|
| 2015 | \$63,000 | \$108,259 | \$171,259 |
| 2016 | 66,000 | 104,917 | 170,917 |
| 2017 | 70,000 | 101,416 | 171,416 |
| 2018 | 73,000 | 97,756 | 170,756 |
| 2019 | 76,000 | 93,880 | 169,880 |
| 2020-2024 | 446,000 | 403,238 | 849,238 |
| 2025-2029 | 577,000 | 269,366 | 846,366 |
| 2030-2034 | 529,000 | 102,048 | 631,048 |
| 2035-2037 | 175,000 | 12,094 | 187,094 |
| Total | <u>\$2,075,000</u> | <u>\$1,292,974</u> | <u>\$3,367,974</u> |

The School District's voted legal debt margin was \$8,284,908 with an unvoted debt margin of \$156,777 at June 30, 2014.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

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

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

Hamilton/Clermont Cooperative Association - The School District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 37 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of H/CCA consists of the superintendents and/or treasurers of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid H/CCA \$61,098 for services provided during the year. Financial information can be obtained from the H/CCA of Boards of Education, Dave Horine, Executive Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

NOTE 13 - PUBLIC ENTITY SHARED RISK POOL

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

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

NOTE 14 – INSURANCE PURCHASING POOLS

Sheakley Workers' Compensation and Safety Group Retrospective Rating Plan - The School District participates in the Sheakley Workers' Compensation and Safety Group Retrospective Rating Plan (Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by Sheakley UniService, Inc. Each year, the participating school districts pay an enrollment fee to Sheakley to cover the costs of administering the program.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 15 - CONTINGENCIES

A. Litigation

The School District is not party to legal proceedings.

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 are 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

NOTE 16 -STATUTORY RESERVES

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the 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 capital acquisition. Disclosure of this information is required by State statute.

| | Capital Maintenance Reserve |
|---|-----------------------------------|
| Set Aside Reserve Balance June 30, 2013 | \$0 |
| Required Set-Aside | 297,441 |
| Current Year Offset | (121,888) |
| Current Year Qualifying Expenditures | (175,553) |
| Total | \$0 |
| Balance Carried Forward to Fiscal Year 2015 | \$0 |
| Set Aside Reserve Balance June 30, 2014 | \$0 |

The carryover amount in the Capital Acquisition Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$220,673 at June 30, 2014.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 17 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2014, were as follows:

| Fund | Transfer From | Transfer To |
|-------------------------------------|---------------|---------------|
| <i>Major Fund</i> | | |
| General | \$170,000 | \$0 |
| <i>Non-Major Fund</i> | | |
| District Managed Student Activities | 0 | 170,000 |
| Total Non-Major Fund | 0 | 170,000 |
| Total | \$170,000 | \$170,000 |

Transfers were made from the General Fund to move unrestricted balances to support programs and projects accounted for in the District Managed Student Activities Fund.

NOTE 18 – ACCOUNTABILITY

At June 30, 2014, the Title VI-B, Title I and Reducing Class Size Funds had fund balance deficits of \$9,536, \$26,645, and \$11,861, respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES

For 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 66, “Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62,” GASB Statement No. 69, “Government Combinations and Disposals of Government Operations,” and GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 66, 69, and 70 had no effect on the financial statements.

NOTE 20 – FUND BALANCES

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

| Fund Balances | General | Bond Retirement | Permanent Improvement | Nonmajor Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------|--------------------------|-----------------------------------|--------------------------------|
| Restricted for | | | | | |
| Food Service Operations | \$0 | \$0 | \$0 | \$384,955 | \$384,955 |
| Other Purposes | 0 | 0 | 0 | 15,820 | 15,820 |
| Athletics | 0 | 0 | 0 | 133,832 | 133,832 |
| Capital Improvements | 0 | 0 | 935,523 | 0 | 935,523 |
| Debt Services Payments | 0 | 1,378,917 | 0 | 0 | 1,378,917 |
| Classroom Maintenance | 0 | 0 | 0 | 218,522 | 218,522 |
| Total Restricted | <u>0</u> | <u>1,378,917</u> | <u>935,523</u> | <u>753,129</u> | <u>3,067,569</u> |
| Assigned to | | | | | |
| FY15 Appropriations in excess of Estimated Receipts | 866,874 | 0 | 0 | 0 | 866,874 |
| Other Purposes | 200,419 | 0 | 0 | 0 | 200,419 |
| Total Assigned | <u>1,067,293</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,067,293</u> |
| Unassigned (Deficit) | <u>0</u> | <u>0</u> | <u>0</u> | <u>(48,042)</u> | <u>(48,042)</u> |
| Total Fund Balances | <u>\$1,067,293</u> | <u>\$1,378,917</u> | <u>\$935,523</u> | <u>\$705,087</u> | <u>\$4,086,820</u> |

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 21 – COMMITMENTS

A. Contractual

As of June 30, 2014, the School District’s contractual purchase commitments from the Permanent Improvement Fund for the energy conservation projects are as follows:

| Project | Vendor | Contract Amount | Amount Expended | Balance at 06/30/14 |
|---------------------|----------------------------------|--------------------|--------------------|------------------------|
| Lighting Systems | Four Seasons Environmental, Inc. | \$335,000 | \$255,617 | \$79,383 |
| HVAC Systems | DeBra-Kuempel | 405,000 | 136,700 | 268,300 |
| DDC Control Systems | DeBra-Kuempel | 675,000 | 413,707 | 261,293 |

B. Encumbrances

At June 30, 2014, the School District had significant encumbrance commitments in the following governmental fund:

| Fund | Amount |
|-----------------------|-------------------------|
| Non-Major Fund: | |
| Permanent Improvement | \$868,313 |
| Total Non-Major Fund | <u>868,313</u> |
| Total Encumbrance | <u><u>\$868,313</u></u> |

Bethel-Tate Local School District
Clermont County

Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2014

| Federal Grantor/ Pass Through Grantor/ Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|--|----------------------------------|---------------------------|--------------|----------------------|---------------|---------------------------|
| United States Department of Agriculture | | | | | | |
| <i>Passed through Ohio Department of Education</i> | | | | | | |
| <i>Nutrition Cluster:</i> | | | | | | |
| School Breakfast Program | 3L70 | 10.553 | \$ 51,104 | \$ - | \$ 51,104 | \$ - |
| National School Lunch Program | 3L60 | 10.555 | 281,618 | 40,535 | 281,618 | 40,535 |
| Total Nutrition Cluster | | | 332,722 | 40,535 | 332,722 | 40,535 |
| Total United States Department of Agriculture | | | 332,722 | 40,535 | 332,722 | 40,535 |
| United States Department of Education | | | | | | |
| <i>Passed through Ohio Department of Education</i> | | | | | | |
| <i>Special Education Cluster:</i> | | | | | | |
| Special Education_Grants to States | 3M20 | 84.027 | 326,124 | - | 297,373 | - |
| Special Education_Preschool Grants | 3DJ0 | 84.173 | 2,667 | - | 2,667 | - |
| Total Special Education Cluster | | | 328,791 | - | 300,040 | - |
| Title I Grants to Local Educational Agencies | 3M00 | 84.010 | 343,599 | - | 333,019 | - |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants | 3FD0 | 84.395 | 5,600 | - | 2,800 | - |
| Improving Teacher Quality State Grants | 3Y60 | 84.367 | 50,731 | - | 49,969 | - |
| Total United States Department of Education | | | 728,721 | - | 685,828 | - |
| Total Federal Financial Assistance | | | \$ 1,061,443 | \$ 40,535 | \$ 1,018,550 | \$ 40,535 |

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

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

NOTE C – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

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



Balestra, Harr & Scherer, CPAs, Inc.

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel-Tate Local School District, Clermont County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Members of the Board of Education
Bethel-Tate Local School District
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards*
Page 2

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
October 24, 2014



Balestra, Harr & Scherer, CPAs, Inc.

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

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

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

Report on Compliance for Each Major Federal Program

We have audited the Bethel-Tate Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Bethel-Tate Local School District's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Bethel-Tate Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
October 24, 2014

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

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2014**

1. SUMMARY OF AUDIT RESULTS

| | | |
|--------------|--|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other significant control deficiencies reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other significant internal control deficiencies reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Program's Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under §.510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Special Education Cluster: Special Education Grants to States- CFDA#84.027 Special Education Preschool Grants- CFDA#84.173 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

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Dave Yost • Auditor of State

BETHEL-TATE LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 25, 2014**