



**Auditor of State  
Betty Montgomery**



**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Bethel Tate Local School District  
Clermont County  
112 North Union Street  
Bethel, Ohio 45106

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel Tate Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel-Tate Local School District, Clermont County, Ohio, as of June 30, 2004, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America require. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 30, 2005

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Bethel Tate Local School District's, Clermont County, Ohio (the District), discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the 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 District's financial performance.

**FINANCIAL HIGHLIGHTS**

- The District's assets exceeded its liabilities at June 30, 2004 by \$26,766,035.
- The District's net assets of governmental activities decreased \$1,969,143 which represents a seven percent decrease from 2003.
- General revenues accounted for \$11,580,950 in revenue or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,392,701 or 17 percent of total revenues of \$13,973,651.
- The District had \$16,843,485 in expenses related to governmental activities; \$2,392,701 of these expenses was offset by program specific charges for services, grants, or contributions.

**USING THIS ANNUAL FINANCIAL REPORT**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the 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, Bond Retirement Debt Service Fund and Classroom Facilities Capital Projects Fund.

**REPORTING THE DISTRICT AS A WHOLE**

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

These two statements report the District's net assets and changes to those assets. This change informs the reader whether the 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 District's financial well-being. Some of these factors include the 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  
CLERMONT COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

- **Governmental Activities.** All of the 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 DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The analysis of the District's funds begins on page 7. Fund financial statements provide detailed information about the District's major funds – not the 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 District is meeting legal responsibilities for use of grants. The major funds of the District are the General Fund, Bond Retirement Debt Service Fund and Ohio Schools Facilities Commission Capital Projects Fund.

**Governmental Funds.** All of the 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 District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**THE DISTRICT AS A WHOLE**

As stated previously, the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2004 compared to 2003.



**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

Table 1

Net Assets

	2004	2003*
Assets:		
Current Assets	\$8,461,674	\$7,141,918
Restricted Assets	0	1,985,301
Capital Assets, Net	<u>30,684,150</u>	<u>33,109,674</u>
Total Assets	39,145,824	42,236,893
Liabilities:		
Current and Other Liabilities	4,563,219	4,871,011
Long-Term Liabilities	<u>7,816,570</u>	<u>7,729,013</u>
Total Liabilities	12,379,789	12,600,024
Net Assets:		
Invested in Capital Assets, Net of Related Debt	23,528,449	25,874,674
Restricted	2,166,404	3,404,502
Unrestricted	<u>1,071,182</u>	<u>356,693</u>
Total Net Assets	<u><u>\$26,766,035</u></u>	<u><u>\$29,635,869</u></u>

\*As Restated, See Note 3

Total net assets of the District as a whole decreased \$2,869,834. The change in total assets is mainly due to the new buildings being added on the fixed asset listing at the end of the prior year, a full year of depreciation was not recognized until FY2004, thus the large increase in the expense for the year. Revenues were approximately the same in the current and prior years.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004 compared to June 30, 2003.

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

Table 2  
Change in Net Assets

	2004	2003*
Revenues		
Program Revenues:		
Charges for Services and Sales	\$664,651	\$507,248
Operating Grants and Contributions	1,728,050	1,782,482
Total Program Revenues	2,392,701	2,289,730
General Revenues:		
Property Taxes	3,305,270	2,925,938
Grants and Entitlements not Restricted to Specific Programs	8,339,387	8,204,128
Other Financing Sources/Uses, Net	(391,565)	0
Investment Earnings	94,578	122,494
Miscellaneous	233,280	195,402
Total General Revenues	11,580,950	11,447,962
Total Revenues	13,973,651	13,737,692
Program Expenses		
Instruction		
Regular	8,506,800	6,055,850
Special	1,703,340	1,548,827
Vocational	112,827	88,315
Adult/Continuing	0	36,843
Other	0	227
Support Services		
Pupil	358,724	234,335
Instructional Staff	813,438	548,472
Board of Education	28,804	21,920
Administration	1,251,426	1,099,733
Fiscal	339,354	375,203
Operation and Maintenance of Plant	1,452,670	1,392,403
Pupil Transportation	839,500	768,257
Central	200,716	268,701
Operation of Non-Instructional Services	514,815	507,584
Extracurricular Activities	289,044	253,376
Interest & Fiscal Charges	432,027	437,352
Total Expenses	16,843,485	13,637,398
Net Assets at Beginning of Year	29,635,869	29,535,575
Increase (Decrease) in Net Assets	(2,869,834)	100,294
Net Assets at End of Year	\$26,766,035	\$29,635,869

\*As Restated, See Note 3

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**Governmental Activities**

Grants and entitlements comprised 60 percent of revenue for governmental activities of the Bethel-Tate Local School District for fiscal year 2004 and represents the largest source of revenue.

Property taxes comprised 24 percent of revenue for governmental activities of the District for fiscal year 2004.

Operating grants and contributions comprised 12 percent of revenue for governmental activities during 2004.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 61 percent of governmental program expenses with support services comprising 31 percent of governmental expenses. The Board of Education relies on taxes to support increased student achievement within the District.

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

Table 3

Total and Net Cost of Program Services

	Governmental Activities			
	2004 Total Cost of Services	2004 Net Cost of Services	2003 Total Cost of Services	2003 Net Cost of Services
Instruction	\$10,322,967	\$9,287,242	\$7,730,062	\$6,933,204
Support Services	5,284,632	4,521,584	4,709,024	4,193,253
Operation of Non-instructional Services	514,815	85,174	507,584	104,442
Extracurricular Activities	289,044	201,803	253,376	178,310
Interest and Fiscal Charges	432,027	354,981	437,352	369,544
Total Expenses	\$16,843,485	\$14,450,784	\$13,637,398	\$11,778,753

**THE DISTRICT'S FUNDS**

Information about the District's major governmental funds begins on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$14,946,613 and expenditures and other financing uses of \$15,391,559. The net change in fund balance for the year was most significant in the Classroom Facilities Fund due to the Classroom Facilities monies received.

The fund balance of the Bond Retirement Fund increased by \$205,400. This increase was primarily due to the District receiving more in property tax revenue.

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

The fund balance of the General Fund increased by \$79,868. This increase was primarily due to the District receiving more in property tax revenue in the current year than in the prior year.

The fund balance of the Ohio Schools Facilities Commission Fund increased by \$495,623. This increase was due to the District having no expenditures during the fiscal year.

**General Fund Budgeting Highlights**

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

During 2004, there were revisions made to the General Fund budget. In part, the revisions deducted \$974,253 to the appropriations to account for completion of the construction project. The District's ending unobligated cash balance was \$2,052,838.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2004, the District had \$30,684,150 invested in its capital assets. Table 4 shows the fiscal year 2004 balances compared to 2003.

Table 4

Capital Assets

(Net of Accumulated Depreciation)

Governmental Activities

	2004	2003*
Land	\$762,001	\$762,001
Land Improvements	986,195	985,262
Buildings and Improvements	26,776,850	28,629,982
Furniture and Equipment	1,640,941	2,123,575
Vehicles	241,968	284,361
Books	168,394	210,407
Infrastructure	107,801	114,086
Totals	\$30,684,150	\$33,109,674

Changes in capital assets from the prior year resulted from additions, disposals and depreciation. The most significant capital asset addition was finalizing construction related to the school buildings. For additional information regarding capital assets, please see Note 8 to the Basic Financial Statements.

\* As Restated, See Note 3

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**Debt**

At June 30, 2004, the District had \$51,000 in bond anticipation notes outstanding. The District also had \$5,480,000 in bonds and loans outstanding at fiscal year end with \$210,000 due within one year. Table 5 summarizes the District's outstanding debt:

Table 5  
Outstanding Debt at Year End  
Governmental Activities

	2004	2003
Bond Anticipation Notes	\$51,000	\$61,000
Total Notes Payable	\$51,000	\$61,000
1983 General Obligation Bonds	0	10,000
1993 & 1994 Energy Conservation Loans	0	35,000
2000 Classroom Facilities Bonds	5,480,000	5,675,000
Total Long-term Debt	\$5,480,000	\$5,720,000

At June 30, 2004 the District's overall legal debt margin was \$6,678,501 with an unvoted debt margin of \$135,094. For additional information regarding the debt of the District, please see Notes 13 and 14 to the Basic Financial Statements.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

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**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	<u><b>Governmental Activities</b></u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,355,505
Cash and Cash Equivalent with Fiscal Agents	233,581
Restricted: Equity in Pooled Cash and Cash Equivalents	377,563
Accounts Receivable	17,014
Intergovernmental Receivable	4,661
Taxes Receivable	3,473,350
Noncurrent Assets:	
Non-Depreciable Capital Assets	762,001
Depreciable Capital Assets, net	29,922,149
<b>Total Assets</b>	<u><b>39,145,824</b></u>
 <b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	50,307
Accrued Wages and Benefits	1,424,180
Intergovernmental Payable	302,893
Matured Interest Payable	694
Accrued Interest Payable	20,464
Retainage Payable	165,731
Deferred Revenue	2,547,950
Notes Payable	51,000
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	323,190
Due in More Than One Year	7,493,380
<b>Total Liabilities</b>	<u><b>12,379,789</b></u>
 <b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	23,528,449
Restricted for Debt Service	625,215
Restricted for Capital Outlay	845,729
Restricted for Other Purposes	317,897
Restricted for Set Asides	377,563
Unrestricted	1,071,182
 <b>Total Net Assets</b>	 <u><u><b>\$26,766,035</b></u></u>

*See accompanying notes to the basic financial statements.*

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Program Revenues			Total
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$8,506,800	\$248,836	\$305,753	(\$7,952,211)
Special	1,703,340	87,165	391,925	(1,224,250)
Vocational	112,827	2,046	-	(110,781)
Adult/Continuing	-	-	-	-
Other	-	-	-	-
Support Services:				
Pupils	358,724	7,653	3,545	(347,526)
Instructional Staff	813,438	26,376	31,104	(755,958)
Board of Education	28,804	455	-	(28,349)
Administration	1,251,426	22,036	886	(1,228,504)
Fiscal	339,354	7,049	-	(332,305)
Operation and Maintenance of Plant	1,452,670	46,193	72,542	(1,333,935)
Pupil Transportation	839,500	14,325	455,799	(369,376)
Central	200,716	26,214	48,871	(125,631)
Operation of Non-Instructional Services	514,815	141,711	287,930	(85,174)
Extracurricular Activities	289,044	30,358	56,883	(201,803)
Interest & Fiscal Charges	432,027	4,234	72,812	(354,981)
<b>Total Governmental Activities</b>	<b>\$16,843,485</b>	<b>\$664,651</b>	<b>\$1,728,050</b>	<b>(\$14,450,784)</b>

**General Revenues**

Grants and Entitlements not Restricted to Specific Programs	8,339,387
Investment Earnings	94,578
Miscellaneous	233,280
Property Taxes	3,305,270
Other Financing Sources/Uses, Net	(391,565)
<b>Total General Revenues</b>	<b>11,580,950</b>
Change in Net Assets	(2,869,834)
Net Assets Beginning of Year - as restated (See Note 3)	29,635,869
Net Assets End of Year	<b>\$26,766,035</b>

See accompanying notes to the basic financial statements.



**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2004**

	<u>General</u>	<u>Bond Retirement</u>	<u>Ohio Schools Facilities Commission</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,598,376	\$457,215	\$701,290	\$598,624	\$4,355,505
Cash and Cash Equivalents with Fiscal Agents	0	694	165,731	67,156	233,581
Restricted: Equity in Pooled Cash & Cash Equivalents	377,563	0	0	0	377,563
Accounts Receivable	16,792	0	0	222	17,014
Intergovernmental Receivable	0	0	0	4,661	4,661
Taxes Receivable	2,791,111	622,487	0	59,752	3,473,350
<b>Total Assets</b>	<b><u>\$5,783,842</u></b>	<b><u>\$1,080,396</u></b>	<b><u>\$867,021</u></b>	<b><u>\$730,415</u></b>	<b><u>\$8,461,674</u></b>
<b>LIABILITIES</b>					
Accounts Payable	\$25,351	\$0	\$13,391	\$11,565	\$50,307
Accrued Wages and Benefits	1,335,829	0	0	88,351	1,424,180
Intergovernmental Payable	88,723	0	0	4,785	93,508
Matured Interest Payable	0	694	0	0	694
Retainage Payable	0	0	165,731	0	165,731
Deferred Revenue	2,420,411	538,487	0	56,413	3,015,311
Notes Payable	0	0	0	51,000	51,000
<b>Total Liabilities</b>	<b><u>3,870,314</u></b>	<b><u>539,181</u></b>	<b><u>179,122</u></b>	<b><u>212,114</u></b>	<b><u>4,800,731</u></b>
<b>FUND BALANCES</b>					
Reserved:					
Reserved for Encumbrances	83,759	0	75,405	96,930	256,094
Reserved for Property Taxes	370,700	84,000	0	8,000	462,700
Reserved for Text Books and Instructional Materials	235,697	0	0	0	235,697
Reserved for Capital Improvements	141,866	0	0	0	141,866
Unreserved, Undesignated, Reported in:					
General Fund	1,081,506	0	0	0	1,081,506
Special Revenue Funds	0	0	0	340,788	340,788
Debt Service Fund	0	457,215	0	0	457,215
Capital Projects Funds	0	0	612,494	72,583	685,077
<b>Total Fund Balances</b>	<b><u>1,913,528</u></b>	<b><u>541,215</u></b>	<b><u>687,899</u></b>	<b><u>518,301</u></b>	<b><u>3,660,943</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$5,783,842</u></b>	<b><u>\$1,080,396</u></b>	<b><u>\$867,021</u></b>	<b><u>\$730,415</u></b>	<b><u>\$8,461,674</u></b>

See accompanying notes to the basic financial statements.

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**RECONCILIATION TO TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004**

<b>Total Governmental Fund Balances</b>		<b>\$ 3,660,943</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		30,684,150
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	462,700	
Intergovernmental	<u>4,661</u>	
Total		467,361
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore is not reported in the funds		(209,385)
Accrued interest payable on long-term debt is not reported in the funds.		(20,464)
Long-Term Liabilities, including bonds, capital lease obligations, long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Capital Lease Obligations	(1,655,237)	
Compensated Absences	(681,333)	
General Obligation Bonds	<u>(5,480,000)</u>	
Total		<u>(7,816,570)</u>
<b>Net Assets of Governmental Activities</b>		<b><u><u>\$ 26,766,035</u></u></b>

*See accompanying notes to the basic financial statements*

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	General	Bond Retirement	Ohio Schools Facilities Commission	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$2,492,615	\$555,144	\$0	\$64,564	\$3,112,323
Intergovernmental	9,066,243	72,564	0	923,970	10,062,777
Investment Earnings	29,153	0	64,538	887	94,578
Tuition and Fees	262,045	0	0	222	262,267
Rent	5,477	0	0	0	5,477
Extracurricular Activities	0	0	0	111,838	111,838
Customer Sales and Services	0	0	0	294,127	294,127
Gifts and Donations	1,176	0	0	31,089	32,265
Miscellaneous	164,665	0	0	68,615	233,280
<b>Total Revenues</b>	<b>12,021,374</b>	<b>627,708</b>	<b>64,538</b>	<b>1,495,312</b>	<b>14,208,932</b>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	5,502,742	0	0	570,831	6,073,573
Special	1,492,258	0	0	198,974	1,691,232
Vocational	110,656	0	0	0	110,656
Support Services:					
Pupil	317,050	0	0	5,195	322,245
Instructional Staff	573,783	0	0	50,157	623,940
Board of Education	27,005	0	0	0	27,005
Administration	1,133,665	0	0	1,277	1,134,942
Fiscal	381,202	0	0	0	381,202
Operation and Maintenance of Plant	1,135,937	0	0	77,150	1,213,087
Pupil Transportation	747,939	0	0	0	747,939
Central	117,618	0	0	79,929	197,547
Operation of Non-Instructional Services	36,744	0	0	453,138	489,882
Extracurricular Activities	154,078	0	0	94,071	248,149
Capital Outlay	213,761	0	0	123,545	337,306
Debt Service:					
Principal	67,894	205,000	0	0	272,894
Interest and Fiscal Charges	17,640	326,373	0	1,203	345,216
<b>Total Expenditures</b>	<b>12,029,972</b>	<b>531,373</b>	<b>0</b>	<b>1,655,470</b>	<b>14,216,815</b>
Excess of Revenues Over (Under) Expenditures	(8,598)	96,335	64,538	(160,158)	(7,883)
<b>Other Financing Sources</b>					
Other Financing Sources	0	0	431,085	0	431,085
Inception of Capital Lease	194,131	0	0	0	194,131
Transfers In	3,400	109,065	0	0	112,465
Transfers Out	(109,065)	0	0	(3,400)	(112,465)
Other Financing Uses	0	0	0	(1,062,279)	(1,062,279)
<b>Total Other Financing Sources</b>	<b>88,466</b>	<b>109,065</b>	<b>431,085</b>	<b>(1,065,679)</b>	<b>(437,063)</b>
<b>Net Change in Fund Balance</b>	<b>79,868</b>	<b>205,400</b>	<b>495,623</b>	<b>(1,225,837)</b>	<b>(444,946)</b>
Fund Balances Beginning of Year - Restated (See Note 3)	1,833,660	335,815	192,276	1,744,138	4,105,889
<b>Fund Balances End of Year</b>	<b>\$1,913,528</b>	<b>\$541,215</b>	<b>\$687,899</b>	<b>\$518,301</b>	<b>\$3,660,943</b>

See accompanying notes to the basic financial statements

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**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, 2004**

**Net Change in Fund Balances - Total Governmental Funds** \$ (444,946)

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

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

Capital Asset Additions	576,934	
Current Year Depreciation	<u>(2,626,897)</u>	
<b>Total</b>		<b>(2,049,963)</b>

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

Loss on Disposal of Capital Assets	<u>(375,561)</u>	
<b>Total</b>		<b>(375,561)</b>

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.

(194,131)

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

Taxes	192,947	
Tuition and Fees	(41,323)	
Intergovernmental	<u>4,661</u>	
<b>Total</b>		<b>156,285</b>

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

Repayment of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

240,000

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

53,894

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in Compensated Absences	(187,320)	
Decrease in Interest Payable	686	
Increase in Intergovernmental Payable	<u>(68,778)</u>	

<b>Total</b>		<b><u>(255,412)</u></b>
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**Net Change in Net Assets of Governmental Activities** **\$ (2,869,834)**

*See accompanying notes to the basic financial statements*

BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY

**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, 2004**

	<u>Budgeted Amounts</u>			Variance with Final Budget: Positive
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES:				
Property and Other Local Taxes	\$2,429,008	\$2,445,008	\$2,444,947	(\$61)
Intergovernmental	8,669,020	9,476,247	9,066,243	(\$410,004)
Interest	30,591	33,500	35,298	\$1,798
Tuition and Fees	237,127	259,677	256,020	(\$3,657)
Rent	3,246	3,555	5,477	\$1,922
Gifts and Donations	91	100	1,176	\$1,076
Miscellaneous	110,145	120,619	164,665	\$44,046
<b>Total Revenues</b>	<b>\$11,479,228</b>	<b>\$12,338,706</b>	<b>\$11,973,826</b>	<b>(\$364,880)</b>
EXPENDITURES:				
Current:				
Instruction:				
Regular	\$5,955,290	\$5,683,290	\$5,683,663	(\$373)
Special	1,346,000	1,505,000	1,494,570.00	10,430
Vocational	93,000	128,400	120,014.00	8,386
Support Services:				
Pupils	212,000	303,450	301,271.00	2,179
Instructional Staff	410,105	555,105	556,093.00	(988)
Board of Education	24,000	53,490	27,313.00	26,177
Administration	1,101,479	1,132,137	1,130,756.00	1,381
Fiscal	387,691	473,502	399,398.00	74,104
Operation and Maintenance of Plant	2,414,041	1,215,917	1,216,944.00	(1,027)
Pupil Transportation	1,037,000	827,487	788,851.00	38,636
Central	187,000	139,168	133,358.00	5,810
Operation of Non-Instructional Services:				
Food Service Operations	35,000	37,000	36,744.00	256
Extracurricular Activities:				
Sport Oriented Activities	130,000	153,000	152,907.00	93
Capital Outlay:				
Building Acquisition and Construction Services	102,000	22,000	19,630.00	2,370
Debt Service:				
Principal	-	36,908	58,000.00	(21,092)
Interest	-	-	2,340.00	(2,340)
<b>Total Expenditures</b>	<b>\$13,434,606</b>	<b>\$12,265,854</b>	<b>\$12,121,852</b>	<b>\$144,002</b>
<b>Excess of Revenues Over/(Under) Expenditures</b>	<b>(\$1,955,378)</b>	<b>\$72,852</b>	<b>(\$148,026)</b>	<b>(\$220,878)</b>
OTHER FINANCING SOURCES AND USES:				
Transfers In	\$167,882	\$204,592	\$3,400	(\$201,192)
Refund of Prior Year Expenditures	24,176	26,475	-	(26,475)
Advances In	-	-	3,000	3,000
Proceeds from the Sale of Notes	16,437	18,000	18,000	-
Transfers Out	-	(183,245)	(109,065)	74,180
Advances Out	-	-	(3,000)	(3,000)
Other Financing Uses	(233,093)	(233,093)	-	233,093
<b>Total Other Financing Sources and Uses</b>	<b>(\$24,598)</b>	<b>(\$167,271)</b>	<b>(\$87,665)</b>	<b>\$79,606</b>
<b>Net Change in Fund Balance</b>	<b>(1,979,976)</b>	<b>(94,419)</b>	<b>(235,691)</b>	<b>(141,272)</b>
Fund Balance, July 1, 2003	2,277,276	2,277,276	2,277,276	0
Prior Year Encumbrances Appropriated	11,253	11,253	11,253	0
<b>Fund Balance, June 30, 2004</b>	<b>\$308,553</b>	<b>\$2,194,110</b>	<b>\$2,052,838</b>	<b>(\$141,272)</b>

See accompanying notes to the basic financial statements.

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AS OF JUNE 30, 2004**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Current Assets:	
Equity in Pooled Cash and Cash	<u>\$47,349</u>
Total Assets	<u><u>47,349</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Due to Students	<u>47,349</u>
Total Liabilities	<u><u>\$47,349</u></u>

*See accompanying notes to the basic financial statements.*

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

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

The District was established in the early 1800's through the consolidation of existing land areas and school districts. The District serves an area of approximately 48.04 square miles. It is located in Clermont County, and includes the Village of Bethel and Tate Township. It is staffed by 74 non-certificated employees, 123 certificated full-time teaching personnel and 9 administrative employees who provide services to 1,970 students and other community members. The District currently operates 4 instructional buildings, 1 administrative office, 1 garage, 1 bus barn, and 1 maintenance barn.

*Reporting Entity:*

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

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

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

- Boosters Clubs
- Parent-Teacher Organizations

The District is associated with five organizations, three of which are defined as jointly governed organizations, one as a public entity 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 Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations and the District's participation are discussed in Notes 15, 16 and 17 to the Basic Financial Statements.

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Fund Accounting

The 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 District's functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds

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

General Fund

The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is available to the 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 provide the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans shall be paid into this fund.

Ohio School Facilities Commission Fund

The Ohio School Facilities Commission fund is a major Capital Projects fund used to account for monies received and expended in connection with contracts entered into for the building and equipping of classroom facilities.

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



**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary Funds

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

Basis of Presentation

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

**Government-wide Financial Statements**

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

The statement of net assets presents the financial condition of governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the 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 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 District.

**Fund Financial Statements**

During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**Measurement Focus**

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

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Basis of Accounting**

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

**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 District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the 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.

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures**

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

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

**Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the 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 2004.

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.

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Encumbrances**

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

**Cash and Investments**

Cash received by the 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 \$94,578 in which \$29,153 was recorded in the General Fund; \$64,538 was recorded in the Ohio School Facilities Commission Capital Projects Fund; and \$887 was recorded in the Non-major Other Governmental Funds.

The District records all its investments at fair value. For presentation in the basic financial statements, investments of the cash management pool are considered to be cash equivalents. The District has invested in the Money Market Mutual Funds during fiscal year 2004.

**Capital Assets and Depreciation:**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000, which was increased from \$500 effective July 1, 2003.

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 District does not capitalize interest.

All reported capital assets, except land, 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:

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

<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 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 District has identified as probable of receiving payment in the future. The 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 District's past experience of making termination payments.

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

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

**Accrued Liabilities and Long-Term Obligations**

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

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

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets**

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

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

**Fund Balance Reserves**

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

**Estimates**

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

**Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. During fiscal year 2004, the District held monies for the construction of new school buildings. Retainage Escrow amounts and amounts held in conjunction with the District's lease agreement at June 30, 2004 have been restricted and are presented as "Restricted Cash and Cash Equivalents with Fiscal Agents" on the balance sheet.

The District also had restricted cash in the amount of \$377,563 held aside for the textbook and capital improvement reserves.

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE**

For the fiscal year 2004, the District has implemented Governmental Accounting Standards Board (GASB) Statement No.39, "Determining Whether Certain Organizations are Component Units." GASB Statement No. 39 is an amendment to GASB Statement No. 14 and provides additional guidance to determine whether certain organizations for which the primary government is no financially accountable should be reported as component units based on the nature and significance of their relationships with the primary government.

At June 30, 2004, the district does not have any organizations that qualify as a component unit of the primary government and therefore, there was no effect on fund balance as a result of implementing GASB 39.

**Restatement of Fund Balance/Net Assets** It was determined that the Accounts Receivables, Compensated Absences and Contracts Payable were misstated. Also, the District increased their threshold from \$500 to \$1,000. These restatements had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported:

	General	Bond Service	School Facilities	Non-Major	Total
Fund Balances, June 30, 2003	\$1,846,879	\$335,815	\$(68,942)	\$1,730,919	\$3,844,671
Restatement Amount for Contracts Payable	0	0	261,218	0	261,218
Restated Fund Balances, June 30, 2003	\$1,846,879	\$335,815	\$192,276	\$1,730,919	\$4,105,889
Net Assets, June 30, 2003					\$28,735,178
Restatement Amt. for Contracts Payable and Compensated Absences					521,345
Change in Capital Assets Threshold					379,346
Restated Net Assets, June 30, 2003					<u>\$29,635,869</u>

**4. BUDGET TO GAAP RECONCILIATION**

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis, as provided by law, and described above, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Similar Trust Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

**BETHEL TATE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. BUDGET TO GAAP RECONCILIATION (Continued)**

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

Net Change in Fund Balance	<u>General</u>
GAAP Basis	\$79,868
Adjustments:	
Revenue Accruals	(223,679)
Expenditure Accruals	17,180
Encumbrances	<u>( 109,060)</u>
Budget Basis	<u><u>(\$235,691)</u></u>

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of the 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.

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

1. United States Treasury Notes, Bills, Bonds, or other obligations or security issued by the United States Treasury or any other obligation guaranteed as to 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. 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. Bond and other obligations of the State of Ohio;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain Banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 District, and must be purchased with the expectation that it will be held to maturity.

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

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

**Deposits** At year end, the carrying amount of the District's deposits was \$965,954 and the bank balance was \$996,187. Of the bank balance, \$123,383 was covered by federal depository insurance and \$872,804 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

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

**BETHEL TATE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

	Fair Value
<u>Investments:</u>	
Victory Money Market Mutual Fund	\$3,980,888
Bayerische Hypo Und Verins Bank Investment Money Market Mutual Fund	67,156
Total Investments	\$4,048,044

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

	Cash and Cash Equivalents/Deposits	Cash Investments
Basic Financial Statements	\$5,013,998	\$0
Investments:		
Victory Money Market Mutual Fund	(3,980,888)	3,980,888
Bayerische Hype Und Verins Bank Investement Money Market Mutual Fund	(67,156)	67,156
GASB Statement 3	\$965,954	\$4,048,044

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) are for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004 on the assessed value listed as of January 1, 2004, the lien date.

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

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. PROPERTY TAXES (Continued)**

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

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

The District receives property taxes from Clermont and Hamilton Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 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, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2004, was \$370,700 in the General Fund, \$84,000 in the Debt Service Major Fund, and \$8,000 in the Classroom Facilities Non-Major Special Revenue Fund. These amounts have been presented as Reserved for Property Taxes in the Balance Sheet.

The assessed values upon which fiscal year 2004 taxes were collected are:

	2003 Second-Half Collections		2004 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$124,255,250	94.21%	\$127,597,570	94.45%
Public Utility	4,984,700	3.78%	5,042,770	3.73%
Tangible Personal Property	2,657,990	2.01%	2,454,116	1.82%
Total Assessed Value	<u>\$131,897,940</u>	<u>100.00%</u>	<u>\$135,094,456</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed valuation	\$34.10		\$38.44	

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. RECEIVABLES**

Receivables at June 30, 2004, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
Non-Major Special Revenue Funds:	
Title II-D	\$741
Title V	2,000
Title IV-Drug Free	1,920
<i>Total Non-Major Special Revenue Funds</i>	4,661
<b><i>Total Intergovernmental Receivables</i></b>	<b>\$4,661</b>

**8. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2004, was as follows:

	Ending Balance 06/30/03*	Additions	Deletions	Ending Balance 06/30/04
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$762,001	0	0	\$762,001
Total Capital Assets, Not Being Depreciated	762,001	0	0	762,001
Capital Assets Being Depreciated				
Land Improvements	1,303,583	1,031	0	1,304,614
Buildings and Improvements	34,967,755	391,422	0	35,359,177
Furniture and Equipment	3,371,641	163,480	(576,145)	2,958,976
Vehicles	1,146,940	21,001	(11,760)	1,156,181
Books	1,004,725	0	0	1,004,725
Infrastructure	120,406	0	0	120,406
Total Capital Assets, Being Depreciated	41,915,050	576,934	(587,905)	41,904,079
Less Accumulated Depreciation:				
Land Improvements	(318,321)	(35,879)	35,781	(318,419)
Buildings and Improvements	(6,337,773)	(2,244,554)	0	(8,582,327)
Furniture, Fixtures & Equipment	(1,248,066)	(234,978)	165,009	(1,318,035)
Vehicles	(862,579)	(63,188)	11,554	(914,213)
Books	(794,318)	(42,013)	0	(836,331)
Infrastructure	(6,320)	(6,285)	0	(12,605)
Total Accumulated Depreciation	(9,567,377)	(2,626,897)	212,344	(11,981,930)

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. CAPITAL ASSETS (Continued)**

Total Capital Assets Being Depreciated, Net	32,347,673	(2,049,963)	(375,561)	29,922,149
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental Activities Capital Assets, Net	\$33,109,674	(\$2,049,963)	(\$375,561)	\$30,684,150
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

\* As restated – see Note 3

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,913,310
Special	2,220
Vocational	283
Support Services:	
Pupils	30,619
Instructional Staff	165,858
Administration	88,065
Fiscal	1,053
Operation & Maintenance of Plant	292,461
Pupil Transportation	64,230
Central	3,170
Extra-Curricular	61,049
Operation of Non-Instruction	4,579
Total Depreciation Expense	<hr/> <u>\$2,626,897</u>

**9. RISK MANAGEMENT**

The 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 2004, the District contracted with Harcum-Hyre Insurance Agency, Inc. for property, and contents, fleet insurance and liability insurance. Coverage provided is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$43,173,400
Crime Insurance (\$1,000 deductible)	25,000
Automobile Liability (No deductible)	1,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

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

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

For fiscal year 2004, the District participated in the Clermont County Health Trust (the Trust), a public entity risk pool (Note 16), in order to provide life, sick, accident, and other benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. Any of such benefits, as the Trustee may determine, may be provided in whole or in part through one or more group insurance policies.

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$238,488, \$99,760, and \$54,902, respectively; 46 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$127,970 represents the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds.

**BETHEL TATE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. 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. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions in to the DC plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. The DB 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 31<sup>st</sup> 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 reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

The DC Plan 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 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 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 designed beneficiary is entitled to receive the member's account balance.

Member contributions for the Combined Plan Benefits 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.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase or a lump-sum payment in addition to the original retirement allowance.

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

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

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ending June 30, 2004, 2003, and 2002, were \$757,049, \$530,271, and \$521,100 respectively; 95 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$41,129 represents the unpaid portion for fiscal year 2004.



**BETHEL TATE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

**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, 2004, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**11. POSTEMPLOYMENT BENEFITS**

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

All STRS benefits recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$60,659 during fiscal year 2004.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their healthcare premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$24,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution, provides for maintenance of the asset target level for the health care fund. The portion of the employer contributions that were used to fund post-employment benefits in 2004 was \$226,051.

The target level for the health care reserve is 150 percent of annual health care expenses before premium deduction. Gross expenses for health care at June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004 SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**12. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum by all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

**B. Life Insurance**

The District provides life insurance to most employees through Sunlife.

**13. SHORT-TERM OBLIGATIONS**

As of June 30, 2004, the District had \$51,000 in outstanding short-term obligations with interest rates between 4.34% and 4.94%. During fiscal year 2004, the District retired bond anticipation notes in the amount of \$61,000. The debt had been reported in the Permanent Improvement Capital Project Fund and paid from the Debt Service Fund.

**14. LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2004 were as follows:

	Principal Outstanding 6/30/03	Additions	Deductions	Principal Outstanding 6/30/04	Due In One Year
Bethel-Tate School Improvement General Obligation Bonds 1983 9.25%	\$10,000	\$0	\$10,000	\$0	\$0
Energy Conservation Loan 1994 5.45%	35,000	0	35,000	0	0
Classroom Facilities Improvement Bonds 2000 5.73%	5,675,000	0	195,000	5,480,000	210,000
Total Long-Term Bonds and Loans	5,720,000	0	240,000	5,480,000	210,000
*Compensated Absences	494,013	681,333	494,013	681,333	51,566
Capital Leases	1,515,000	194,131	53,894	1,655,237	61,624
Total General Long-Term Obligations	\$7,729,013	\$875,464	\$787,907	\$7,816,570	\$323,190

\* As Restated, See Note 3

*Bethel-Tate School Improvements General Obligation Bonds* - On April 1, 1983, Bethel-Tate Local District issued \$200,000 in voted general obligation bonds for the purpose of improvements to the middle school building. The bonds were issued for a twenty-year period with final maturity at December 1, 2003. The bonds will be retired from the debt service fund.

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

*Energy Conservation Loan* - On July 1, 1994, Bethel-Tate Local School District issued \$290,000 in un-voted general obligation notes for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten-year period with final maturity during fiscal year 2004. The loan will be retired from the General Fund.

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

Compensated absences will be paid from the fund from which the employees' salaries are paid. Principal and interest requirements to retire general obligation debt, including notes and loans outstanding at June 30, 2004, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2005	210,000	306,618	516,618
2006	235,000	295,820	530,820
2007	125,000	286,969	411,969
2008	150,000	280,088	430,088
2009	165,000	272,092	437,092
2010-2014	1,165,000	1,179,067	2,344,067
2015-2019	1,635,000	763,855	2,398,855
2020-2023	1,795,000	197,632	1,992,632
<b>Total</b>	<b>\$5,480,000</b>	<b>\$3,582,141</b>	<b>\$9,062,141</b>

The District's voted legal debt margin was \$7,219,716 within unvoted debt margin of \$135,094 at June 30, 2004.

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**Capital Lease Obligation**

The District entered into a lease purchase agreement on July 11, 2002 to finance a variety of projects including a portion of the classroom facilities project, as well as, several other construction projects, the acquisition of new school buses, computers and computer related software. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The total amount of the capital lease obligation of \$1,515,000 was recorded as an increase in restricted cash and inception of a capital lease in the Permanent Improvement Fund. The capital lease payments for this lease will be classified as debt service in the General Fund in the fund financial statements. These expenditures will be reflected as program/function expenditures on a budgetary basis. The District entered into a new lease purchase agreement on July 1, 2003 to finance the acquisition of new copiers. The total amount of the capital lease obligation of \$194,131 was recorded as an increase in the General Fund. The capital lease payments for this lease will be classified as capital outlay in the General Fund in the fund financial statements. These expenditures will be reflected as program/function expenditures on a budgetary basis. For the leased assets related to the Governmental Funds, a portion of the fixed assets acquired by the lease have been capitalized in the government wide financial statements to the extent of the amount expended on such assets. A liability in the amount of \$194,131 was recorded in the government wide financial statements. The District's future minimum lease payments under capital lease obligations for Governmental Activities as of June 30, 2004 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$61,624	\$96,941	\$158,565
2006	65,580	92,673	158,253
2007	69,782	88,103	157,885
2008	74,251	83,153	157,404
2009	30,000	79,629	109,629
2010-2014	175,000	371,640	546,640
2015-2019	223,000	317,433	540,433
2020-2024	290,000	245,955	535,955
2025-2029	381,000	151,848	532,848
2030-2032	285,000	33,744	318,744
<b>Total</b>	<b>\$1,655,237</b>	<b>\$1,561,119</b>	<b>\$3,216,356</b>

**15. JOINTLY GOVERNED ORGANIZATIONS**

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

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

*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, Marion Canter, who serves as Treasurer, at 3046 State Route 125, Bethel, Ohio 45106.

*Hamilton/Clermont Cooperative Association* - The District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of H/CCA consists of the superintendents and/or treasurers of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The District paid H/CCA \$40,875 for services provided during the year. Financial information can be obtained from the H/CCA of Boards of Education, Steve Hawley, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

**16. PUBLIC ENTITY RISK POOL**

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

**17. INSURANCE PURCHASING POOL**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**18. CONTINGENCIES**

**A. Litigation**

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

**B. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the District at June 30, 2004.

**19. SUPREME COURT CASE DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

On March 4, 2003, the Plaintiffs filed a motion with the Common Pleas Court of Perry County requesting that such Court schedule and conduct a conference to address the State's compliance with the orders of such Court and the Supreme Court. On May 16, 2003, the Ohio Supreme Court granted a Writ of Prohibition as filed by the State and ordered the Common Pleas Court of Perry County to dismiss the motion for a compliance conference. The Ohio Supreme Court further stated again its ruling made on December 11, 2002.

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**20. STATUTORY RESERVES**

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

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**20. STATUTORY RESERVES (Continued)**

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization	Total
Restated Balance as of July 1, 2003	\$325,073	\$644,530	\$85,534	\$1,055,137
Required Set-Aside	254,157	254,157		508,314
Prior Years Off-Set (correction)	(161,917)	(400,500)		(562,417)
Current Year Off-Sets	0	(216,000)		(216,000)
Qualifying Expenditures	(181,616)	(140,321)		(321,937)
Less Disposition of Budget Reserve	0	0	(85,534)	(85,534)
Set-aside Balance Carried Forward to Future Years	<u>\$235,697</u>	<u>\$141,866</u>	<u>\$0</u>	<u>\$377,563</u>
Set-aside Reserve Balance as of June 30, 2004	<u>\$235,697</u>	<u>\$141,866</u>	<u>\$0</u>	<u>\$377,563</u>

**21. INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2004, were as follows:

Fund	Transfer In	Transfer Out
Major Fund:		
General	\$3,400	\$109,065
Non-Major Fund:		
Bond Retirement	109,065	0
Public School Support	0	3,400
Total	<u>\$112,465</u>	<u>\$112,465</u>

A transfer was made from the General Fund (a major fund) to the Bond Retirement Fund (a non-major fund) to provide support for operating activities of those funds. A transfer was made from the Public School Support Fund (a non-major fund) to the General Fund (a major fund) due to monies for preschool tuition being inappropriately posted to the Public School Support Fund instead of the General Fund.

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**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
Food Distribution Program	N/A	10.550	\$37,274
National School Lunch Program	LLP4-03	10.555	35,075
	LLP4-04	10.555	114,262
			<u>149,337</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u><b>186,611</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster: Special Education			
Grants to States (IDEA Part B)	6BSF-04	84.027	222,716
Grants to Local Educational Agencies (ESEA Title I)	C1S1-04	84.010	250,585
Drug-Free Schools Grant	DRS1-02	84.186	3,388
	DRS1-04	84.186	1,807
			<u>5,195</u>
Eisenhower Grant	MSS1-02	84.281	808
Innovative Educational Program Strategies	C2S1-02	84.298	7,033
	C2S1-03	84.298	552
	C2S1-04	84.298	13,626
			<u>21,211</u>
Education Technology State Grants, Title II, Part D	TJS1-04	84.318	6,461
Improving Teacher Quality State Grants, Title II Part A	TRS1-03	84.367	32,346
	TRS1-04	84.367	67,282
			<u>99,628</u>
Total U.S. Department of Education			<u><b>606,604</b></u>
<b>Total</b>			<u><b>\$793,215</b></u>

*The accompanying notes are an integral part of this schedule.*

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE C - CHILD NUTRITION CLUSTER**

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

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



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Bethel Tate Local School District  
Clermont County  
112 North Union Street  
Bethel, Ohio 45106-1308

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel Tate Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2004-002 listed above to be a material weakness. In a separate letter to the District's management dated June 30, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the District's management dated June 30, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 30, 2005



## Auditor of State Betty Montgomery

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

Bethel Tate Local School District  
Clermont County  
112 North Union Street  
Bethel, Ohio 45106

To the Board of Education:

#### Compliance

We have audited the compliance of Bethel Tate Local School District, Clermont County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004.

#### Internal Control Over Compliance

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

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 30, 2005

**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2004**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I – CFDA# 84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**Finding Number 2004-001**

**Material Noncompliance**

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Contrary to the above requirement, the availability of funds was not certified for 20% of the items tested for fiscal year 2004. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances. Therefore, we recommend the District obtain approved purchase orders, which contain the Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.



**FINDING NUMBER 2004-002**

**Material Internal Control Weakness - Lunchroom**

Adequate internal controls are essential to safeguard District assets and reduce the risk that errors and fraud will not be detected in a timely manner. The following discrepancies in the District lunchroom records between July 2003 and December 2003 indicate a lack of internal controls during that time period:

- In 25% of the transactions tested, cash register tapes were not included in the documentation to support reconciliations performed by each cashier and the head cashier for each cash register.
- 50% of the lunchroom reports tested were not signed by a cashier.
- In 50% of the daily records of cash receipts tested, cash register tapes did not tie to reported amounts, or were not provided to the Treasurer for review.
- 5% of the daily records did not tie to National School Lunch Program Report.

Failure to promote good internal controls could result in undetected errors or theft. For example, the 2003 audit report, conducted by other auditors, included a finding for recovery against the former treasurer for amounts collected and not deposited.

We recommended that the District attach all supporting documentation to receipts, have lunchroom reports signed by a cashier, tie daily cash register tapes to deposited amounts, and ensure that all required federal reports are accurate. Based on our testing, the District has implemented these internal controls as of January 2004.

**3. FINDINGS FOR FEDERAL AWARDS**

None

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**BETHEL TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
Finding issued in Auditor of State certification of audit.	IPA firm performed prior audit. A finding for recovery in the amount of \$9,565.88 was issued by the Auditor of State against the prior Treasurer due to differences in amount recorded as cafeteria receipt and amounts deposited.	No	Finding has not been repaid.





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

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 4, 2005**