

Bethel Tate Local School District

Clermont County, Ohio

Single Audit

July 1, 2005 Through June 30, 2006

Fiscal Year Audited Under GAGAS: 2006

BALESTRA, HARR & SCHERER, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bethel Tate Local School District, Clermont County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 20, 2007

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Bethel Tate Local School District
Clermont County, Ohio

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel Tate Local School District (the School District), Clermont County, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the general fund thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2007 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

As described in Note 3, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*.

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

Balestra, Harr & Scherer, CPAs, Inc.
January 11, 2006

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Bethel-Tate Local School District's (the School District) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's assets exceeded its liabilities at June 30, 2006 by \$25,841,140.
- The School District's net assets of governmental activities decreased \$671,956.
- General revenues accounted for \$12,325,942 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,667,047 or 23 percent of total revenues of \$15,992,989.
- The School District had \$16,664,945 in expenses related to governmental activities; \$3,667,047 of these expenses was offset by program specific charges for services, grants, or contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

REPORTING THE SCHOOL DISTRICT AS A WHOLE

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

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

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

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

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

The School District's fiduciary funds are agency funds which are used to maintain financial activity of the School District's Student Managed Activities.

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2006 compared to June 30, 2005.

Table 1
Net Assets

	2006	2005*
Assets:		
Current and Other Assets	\$8,767,414	\$8,757,020
Capital Assets, Net	29,160,028	30,161,171
Total Assets	37,927,442	38,918,191
Liabilities:		
Current and Other Liabilities	4,722,629	4,745,287
Long-Term Liabilities	7,363,673	7,659,808
Total Liabilities	12,086,302	12,405,095
Net Assets:		
Invested in Capital Assets, Net of Related Debt	22,571,345	23,297,558
Restricted	1,913,967	2,104,837
Unrestricted	1,355,828	1,110,701
Total Net Assets	\$25,841,140	\$26,513,096

* Restated- See Note 3

Total net assets of the School District as a whole decreased \$671,956.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006 compared to June 30, 2005.

Table 2
Change in Net Assets

	2006	2005*
Revenues		
Program Revenues:		
Charges for Services and Sales	\$938,413	\$834,047
Operating Grants and Contributions	2,701,769	1,878,019
Capital Grants and Contributions	26,865	0
Total Program Revenues	3,667,047	2,712,066
General Revenues:		
Property Taxes	3,504,976	3,053,284
Gifts and Donation not Restricted to Specific Programs	0	700
Grants and Entitlements not Restricted to Specific Programs	8,484,346	9,010,580
Investment Earnings	199,717	88,342
Miscellaneous	136,903	143,765
Total General Revenues	12,325,942	12,296,671
Total Revenues	15,992,989	15,008,737
Program Expenses		
Instruction		
Regular	8,697,755	8,080,802
Special	1,316,202	1,345,429
Other	100,700	0
Vocational	129,766	128,938
Support Services		
Pupil	650,433	650,737
Instructional Staff	641,577	735,985
Board of Education	21,843	19,104
Administration	1,065,773	1,075,500
Fiscal	350,603	330,731
Operation and Maintenance of Plant	1,458,202	1,399,250
Pupil Transportation	885,700	829,459
Central	123,927	111,869
Operation of Non-Instructional Services	436,484	438,276
Extracurricular Activities	398,373	354,317
Interest & Fiscal Charges	387,607	419,683
Total Expenses	16,664,945	15,920,080
Net Assets at Beginning of Year	26,513,096	27,424,439
Increase (Decrease) in Net Assets	(671,956)	(911,343)
Net Assets at End of Year	\$25,841,140	\$26,513,096

* Restated- See Note 3

Operating grants and contributions increased due mainly to the additional funding received by the District through foundation payments. This increase is partially offset in the Grants and Donations not Restricted to Specific Programs.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Governmental Activities

Grants and entitlements comprised 53 percent of revenue for governmental activities of the Bethel-Tate Local School District for fiscal year 2006 and represents the largest source of revenue.

Property taxes comprised 22 percent of revenue for governmental activities of the School District for fiscal year 2006.

Operating grants and contributions comprised 17 percent of revenue for governmental activities during 2006.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 62 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 school district.

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

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2006		2005*	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$10,244,423	\$9,006,665	\$9,555,169	\$8,483,832
Support Services	5,198,058	3,705,859	5,152,635	4,353,613
Operation of Non-instructional Services	436,484	(152,848)	438,276	(119,508)
Extracurricular Activities	398,373	127,328	354,317	147,735
Interest and Fiscal Charges	387,607	310,894	419,683	342,342
Total Expenses	\$16,664,945	\$12,997,898	\$15,920,080	\$13,208,014

* Restated- See Note 3

THE SCHOOL DISTRICT'S FUNDS

Information about the School District's major governmental funds begins on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$16,068,662 and expenditures and other financing uses of \$16,050,741. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased by \$177,686. This increase was primarily due to the School District receiving more in property tax and intergovernmental revenue in the current year than in the prior year.

The fund balance of the Bond Retirement Fund increased by \$122,308. This increase was primarily due to the School District receiving more in property tax revenue.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

General Fund Budgeting Highlights

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

During 2006, there were revisions made to the General Fund budget. In part, the revisions added \$42,755 to revenues due in part to interest revenue and refund of prior year expenditures. The revisions added \$517,755 to the appropriations to account for unexpected increases in costs. Final budgeted appropriations were \$708,367 in excess of actual expenditures in the amount of \$13,843,464 due to the School District maintaining tight fiscal control over expenditures. The School District's ending unobligated cash balance was \$3,294,181.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, the School District had \$29,160,028 invested in its capital assets. Table 4 shows the fiscal year 2006 balances compared to 2005.

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

	2006	2005*
Library Books	\$520,086	\$728,737
Land	762,001	762,001
Land Improvements	939,910	971,379
Buildings and Improvements	25,094,783	25,795,836
Furniture and Equipment	1,313,138	1,447,324
Vehicles	303,335	296,209
Text Books	118,545	58,169
Infrastructure	108,230	101,516
Totals	\$29,160,028	\$30,161,171

* Restated- See Note 3

Changes in capital assets from the prior year resulted from additions, disposals and depreciation expense. The most significant change to capital assets was due to the current year depreciation. For additional information regarding capital assets, please see Note 9 to the Basic Financial Statements.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Debt

At June 30, 2006, the School District had \$18,000 in bond anticipation notes outstanding. The School District also had \$5,035,000 in bonds outstanding at fiscal year end with \$125,000 due within one year. Table 5 summarizes the School District's outstanding debt:

Table 5
Outstanding Debt at Year End

	2006	2005
Bond Anticipation Notes	<u>\$18,000</u>	<u>\$28,000</u>
2000 Classroom Facilities Bonds	<u>\$5,035,000</u>	<u>\$5,270,000</u>

At June 30, 2006 the School District's overall legal debt margin was \$8,714,480 with an unvoted debt margin of \$152,772. For additional information regarding the debt of the School District, please see Notes 13 and 14 to the Basic Financial Statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Bethel Tate Local School District
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,387,865
Intergovernmental Receivable	55,597
Taxes Receivable	3,716,582
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	471,321
Restricted Cash and Cash Equivalents with Fiscal Agents	3,104
Restricted Cash and Cash Equivalents with Escrow Agents	132,945
Non-Depreciable Capital Assets	1,282,087
Depreciable Capital Assets, net	27,877,941
<i>Total Assets</i>	<u><u>37,927,442</u></u>
 LIABILITIES:	
Current Liabilities:	
Accounts Payable	76,567
Accrued Wages and Benefits	1,288,030
Intergovernmental Payable	450,177
Accrued Interest Payable	15,186
Retainage Payable	132,945
Deferred Revenue	2,741,724
Notes Payable	18,000
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	228,819
Due in More Than One Year	7,134,854
<i>Total Liabilities</i>	<u><u>12,086,302</u></u>
 NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	22,571,345
Restricted for Debt Service	827,315
Restricted for Capital Outlay	369,609
Restricted for Set-Asides	471,321
Restricted for Other Purposes	245,722
Unrestricted	1,355,828
<i>Total Net Assets</i>	<u><u>\$25,841,140</u></u>

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	<u>Program Revenues</u>			<u>Net(Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental Activities					
Instruction:					
Regular	\$8,697,755	\$241,702	\$255,957	\$25,952	(\$8,174,144)
Special	1,316,202	35,450	647,105	-	(633,647)
Vocational	129,766	5,064	-	-	(124,702)
Other	100,700	2,302	24,226	-	(74,172)
Support Services:					
Pupils	650,433	18,415	71,626	-	(560,392)
Instructional Staff	641,577	19,797	10,533	-	(611,247)
Board of Education	21,843	921	-	-	(20,922)
Administration	1,065,773	35,450	7,373	-	(1,022,950)
Fiscal	350,603	11,970	1,053	-	(337,580)
Operation and Maintenance of Plant	1,458,202	45,118	47,399	-	(1,365,685)
Pupil Transportation	885,700	34,069	1,112,636	-	261,005
Central	123,927	-	75,839	-	(48,088)
Operation of Non-Instructional Services	436,484	298,614	290,718	-	152,848
Extracurricular Activities	398,373	186,779	84,266	-	(127,328)
Interest & Fiscal Charges	387,607	2,762	73,038	913	(310,894)
<i>Total Governmental Activities</i>	<u>16,664,945</u>	<u>938,413</u>	<u>2,701,769</u>	<u>26,865</u>	<u>(12,997,898)</u>
 General Revenues					
Grants and Entitlements not Restricted to Specific Programs					8,484,346
Investment Earnings					199,717
Miscellaneous					136,903
Property Taxes Levied for:					
General Purposes					2,848,849
Special Purposes					49,715
Debt Service					595,677
Capital Projects					10,735
<i>Total General Revenues</i>					<u>12,325,942</u>
Change in Net Assets					(671,956)
<i>Net Assets Beginning of Year (Restate- See Note 3)</i>					<u>26,513,096</u>
<i>Net Assets End of Year</i>					<u>\$25,841,140</u>

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Balance Sheet
Governmental Funds
as of June 30, 2006

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$2,997,250	\$659,377	\$731,238	\$4,387,865
Intergovernmental Receivable	0	0	55,597	55,597
Taxes Receivable	3,033,705	678,470	4,407	3,716,582
Interfund Receivable	24,787	0	0	24,787
Restricted Assets:				
Cash and Cash Equivalents	471,321	0	0	471,321
Cash and Cash Equivalents with Fiscal Agents	0	0	3,104	3,104
Cash and Cash Equivalents with Escrow Agents	0	0	132,945	132,945
<i>Total Assets</i>	<u>6,527,063</u>	<u>1,337,847</u>	<u>927,291</u>	<u>8,792,201</u>
LIABILITIES				
Accounts Payable	71,313	0	5,254	76,567
Accrued Wages and Benefits	1,195,363	0	92,667	1,288,030
Interfund Payable	0	0	24,787	24,787
Intergovernmental Payable	423,631	0	26,546	450,177
Retainage Payable	0	0	132,945	132,945
Deferred Revenue	2,457,005	557,470	8,486	3,022,961
Notes Payable	0	0	18,000	18,000
<i>Total Liabilities</i>	<u>4,147,312</u>	<u>557,470</u>	<u>308,685</u>	<u>5,013,467</u>
FUND BALANCES				
Reserved:				
Reserved for Encumbrances	134,133	0	43,576	177,709
Reserved for Property Taxes	576,700	121,000	0	697,700
Reserved for Text Books and Instructional Materials	445,758	0	0	445,758
Reserved for Capital Improvements	25,563	0	0	25,563
Unreserved, Undesignated, Reported in:				
General Fund	1,197,597	0	0	1,197,597
Special Revenue Funds	0	0	218,695	218,695
Debt Service Fund	0	659,377	0	659,377
Capital Projects Funds	0	0	356,335	356,335
<i>Total Fund Balances</i>	<u>2,379,751</u>	<u>780,377</u>	<u>618,606</u>	<u>3,778,734</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,527,063</u>	<u>\$1,337,847</u>	<u>\$927,291</u>	<u>\$8,792,201</u>

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2006

Total Governmental Fund Balances		\$ 3,778,734
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		29,160,028
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	272,751	
Intergovernmental	<u>8,486</u>	
Total		281,237
Accrued interest payable on long-term debt is not reported in the funds.		(15,186)
Long-Term Liabilities, including bonds, capital lease obligations, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Capital Lease Obligations	(1,535,683)	
Compensated Absences	(792,990)	
General Obligation Bonds	<u>(5,035,000)</u>	
Total		<u>(7,363,673)</u>
Net Assets of Governmental Activities		<u><u>\$ 25,841,140</u></u>

See accompanying notes to the basic financial statements.

Bethel Tate Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$2,823,363	\$594,165	\$60,375	\$3,477,903
Intergovernmental	10,061,852	73,038	1,055,740	11,190,630
Interest	179,024	0	20,693	199,717
Tuition and Fees	448,930	0	0	448,930
Rent	5,610	0	0	5,610
Extracurricular Activities	5,846	0	179,413	185,259
Customer Sales and Services	0	0	298,614	298,614
Gifts and Donations	0	0	38,785	38,785
Miscellaneous	86,632	0	50,271	136,903
<i>Total Revenues</i>	<u>13,611,257</u>	<u>667,203</u>	<u>1,703,891</u>	<u>15,982,351</u>
Expenditures				
Current:				
Instruction:				
Regular	6,953,633	0	424,359	7,377,992
Special	1,036,894	0	291,962	1,328,856
Vocational	144,113	0	0	144,113
Other	62,574	0	38,126	100,700
Support Services:				
Pupils	525,656	0	112,446	638,102
Instructional Staff	577,854	0	15,886	593,740
Board of Education	21,843	0	0	21,843
Administration	1,039,853	0	10,839	1,050,692
Fiscal	348,682	0	944	349,626
Operation and Maintenance of Plant	1,297,962	0	75,140	1,373,102
Pupil Transportation	987,813	0	0	987,813
Central	0	0	120,296	120,296
Operation of Non-Instructional Services	222	0	465,582	465,804
Extracurricular Activities	210,761	0	132,014	342,775
Capital Outlay	9,000	0	374,946	383,946
Debt Service:				
Principal	66,930	235,000	0	301,930
Interest and Fiscal Charges	81,470	309,895	735	392,100
<i>Total Expenditures</i>	<u>13,365,260</u>	<u>544,895</u>	<u>2,063,275</u>	<u>15,973,430</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>245,997</u>	<u>122,308</u>	<u>(359,384)</u>	<u>8,921</u>
Other Financing Sources (Uses)				
Transfers In	0	0	77,311	77,311
Inception of Capital Lease	9,000	0	0	9,000
Transfers Out	(77,311)	0	0	(77,311)
<i>Total Other Financing Sources(Uses)</i>	<u>(68,311)</u>	<u>0</u>	<u>77,311</u>	<u>9,000</u>
<i>Net Change in Fund Balances</i>	177,686	122,308	(282,073)	17,921
<i>Fund Balances Beginning of Year</i>	<u>2,202,065</u>	<u>658,069</u>	<u>900,679</u>	<u>3,760,813</u>
<i>Fund Balances End of Year</i>	<u>\$2,379,751</u>	<u>\$780,377</u>	<u>\$618,606</u>	<u>\$3,778,734</u>

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities*
For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 17,921

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	654,761	
Current Year Depreciation	(1,348,272)	
Total		(693,511)

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	(307,632)	
Total		(307,632)

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

Taxes	27,073	
Intergovernmental	(16,435)	
Total		10,638

New capital lease obligations 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. (9,000)

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. 235,000

Repayment of capital lease principal is recorded as expenditures in the governmental funds, but he repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 66,930

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

Decrease in Compensated Absences	3,205	
Decrease in Interest Payable	4,493	
Total		7,698

Net Change in Net Assets of Governmental Activities \$ (671,956)

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	\$13,592,038	\$13,634,793	\$13,559,541	(\$75,252)
Total Expenditures and Other Uses	<u>14,034,076</u>	<u>14,551,831</u>	<u>13,843,464</u>	<u>708,367</u>
Net Change in Fund Balance	(442,038)	(917,038)	(283,923)	633,115
Fund Balance, July 1, 2005	3,475,185	3,475,185	3,475,185	0
Prior Year Encumbrances Appropriated	<u>102,919</u>	<u>102,919</u>	<u>102,919</u>	<u>0</u>
Fund Balance, June 30, 2006	<u><u>\$3,136,066</u></u>	<u><u>\$2,661,066</u></u>	<u><u>\$3,294,181</u></u>	<u><u>\$633,115</u></u>

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Fiduciary Assets and Liabilities
as of June 30, 2006

	<u>Agency Fund</u>
ASSETS	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$54,511</u>
<i>Total Assets</i>	<u><u>54,511</u></u>
LIABILITIES	
Current Liabilities:	
Due to Students	<u>54,511</u>
<i>Total Liabilities</i>	<u><u>\$54,511</u></u>

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in the early 1800's through the consolidation of existing land areas and school districts. The School District serves an area of approximately 50 square miles. It is located in Clermont County, and includes the Village of Bethel and Tate Township. It is staffed by 68 non-certificated employees, 113 certificated full-time teaching personnel and 13 administrative employees who provide services to 1,969 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative office, and 1 bus barn.

Reporting Entity:

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

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

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

- Boosters Clubs
- Parent-Teacher Organizations

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Accounting

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

Governmental Funds

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

General Fund

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

Bond Retirement Fund

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

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

Fiduciary Funds

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

Basis of Presentation

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus

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

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

Basis of Accounting

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

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

Encumbrances

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

Cash and Investments

Cash received by the School District is deposited into one of several bank accounts with individual fund balance integrity maintained. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All investment earnings accrue to the General Fund except those specifically related to those funds deemed appropriate according to Board of Education policy. Interest earned amounted to \$199,717 in which \$179,024 was recorded in the General Fund and \$20,693 was recorded in the other governmental funds.

The School District records all its investments at fair value. For presentation on the financial statements, investments of the cash management pool are considered to be cash equivalents. The School District has invested in Money Market Mutual Funds and Money Market Funds during fiscal year 2006.

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

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

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

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

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

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

Compensated Absences

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

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

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

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes represents balances in special revenue funds for grants received which are restricted as to their use by grantors. Net assets restricted for set-asides represents the amounts restricted for statutory set-asides (see Note 19 for additional information on the set-asides).

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

The government-wide statement of net assets reports \$1,913,967 restricted net assets, none of which are restricted by enabling legislation.

Interfund Transactions

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

Fund Balance Reserves

Reserved fund balances indicate that portion of fund balance, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, property tax revenue reserved by the Board for future year's appropriations, 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 balance reflected for Governmental Funds are available for use within the specific purpose of those funds.

Estimates

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

Interfund Balances

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Restricted assets in the other governmental funds represent cash and cash equivalents whose use is limited by legal requirements. During fiscal year 2006, the School District held monies for the construction of new school buildings. Retainage Escrow amounts and amounts held in conjunction with the District's lease agreement at June 30, 2006 have been restricted and are presented as "Restricted Cash and Cash Equivalents with Escrow Agents" and "Restricted Cash and Cash Equivalents with Fiscal Agents" on the balance sheet.

The School District also had restricted cash in the general fund in the amount of \$471,321 held aside for the textbook and capital improvement reserves.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS

For the fiscal year 2006, the School District implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 47 establishes accounting standards for termination benefits. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

The District restated the beginning balance of capital assets due to an error in depreciating Library Books which are a non-depreciable asset per the District's policy.

	Governmental Activities
Net Assets at June 30, 2005	\$25,854,692
Understatement of Capital Assets	658,404
Net Assets at July 1, 2006	\$26,513,096

NOTE 4 - BUDGET TO GAAP RECONCILIATION

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

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 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	General
GAAP Basis	\$177,686
Adjustments:	
Revenue Accruals	(64,523)
Expenditure Accruals	(205,894)
Encumbrances	(187,197)
	\$(283,923)
Budget Basis	\$283,923

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

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

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

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

Deposits Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, \$32,492 of the District's bank balance of \$217,438 was exposed to custodial credit risk.

Investments At June 30, 2006, the School District had the following investments:

	Fair Value	Investment Maturities (In Years)
<u>Investments:</u>		
Key Bank Money Market Mutual Funds	\$5,113,215	< 1 year
Bayerische Hypo Investment Agreement	3,104	< 1 year
Total Investment Portfolio	\$5,116,319	

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

In accordance with the School District’s investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

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

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

	<u>Moody’s</u>	<u>Standard & Poor’s</u>
Key Bank Money Market Mutual	Aaa	A-1
Bayerische Hypo	Aa1	A-1

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

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2006 for real and public utility property taxes represents collections of calendar 2005 taxes. Property tax payments received during calendar 2006 for tangible personal property (other than public utility property) are for calendar 2006 taxes.

2006 real property taxes are levied after April 1, 2006 on the assessed value listed as of January 1, 2006, 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 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 June 20 with the remainder payable by December 31. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The School District receives property taxes from Clermont and Brown Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 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, 2006. 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, 2006, was \$576,700 in the General Fund and \$121,000 in the Debt Service Fund.

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$128,804,710	94.60%	\$145,828,440	95.45%
Public Utility	4,997,040	3.67%	4,892,420	3.20%
Tangible Personal Property	2,359,079	1.73%	2,051,145	1.35%
Total Assessed Value	<u>\$136,160,829</u>	<u>100.00%</u>	<u>\$152,772,005</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed valuation	\$38.44		\$38.04	

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006, consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Receivable Amount
Non-major Special Revenue Funds:	
HSTW	\$4,951
Chapter 1	32,867
Chapter 2	1,391
Safe and Drug Free Schools	2,904
Reducing Class Size	9,648
Networking Systematic Improvement	3,836
Total Non-major Special Revenue Funds	\$55,597

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual participant enters into an agreement with OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays its annual premium to OSP (see Note 16). Coverage provided is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$41,237,492
Crime Insurance (\$1,000 deductible)	25,000
Automobile Liability (No deductible)	1,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

For fiscal year 2006, the School District participated in the Ohio Association of School Business Officials Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Universe Inc. provides administrative, cost control and actuarial services to the GRP.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 8 - RISK MANAGEMENT (Continued)

For fiscal year 2006, the School District participated in the Clermont County Insurance Consortium (the Consortium), a public entity risk pool (Note 16), in order to provide life, sick, accident, and other benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. Any of such benefits, as the Trustee may determine, may be provided in whole or in part through one or more group insurance policies.

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	6/30/2005			6/30/2006
	Balance *	Additions	Deletions	Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Library Books	\$728,737	\$0	(\$208,651)	\$520,086
Land	762,001	0	0	762,001
Total Capital Assets, Not Being Depreciated	1,490,738	0	(208,651)	1,282,087
Capital Assets Being Depreciated				
Land Improvements	1,324,904	3,637	0	1,328,541
Buildings & Improvements	35,361,577	293,461	0	35,655,038
Furniture and Equipment	2,948,330	173,326	(417,308)	2,704,348
Vehicles	1,138,072	71,330	0	1,209,402
Text Books	275,988	100,007	(130,974)	245,021
Infrastructure	120,406	13,000	0	133,406
Total Capital Assets Being Depreciated	41,169,277	654,761	(548,282)	41,275,756
Less: Accumulated Depreciation				
Land Improvements	(353,525)	(35,106)	0	(388,631)
Buildings & Improvements	(9,565,741)	(994,514)	0	(10,560,255)
Furniture and Equipment	(1,501,006)	(220,537)	330,333	(1,391,210)
Vehicles	(841,863)	(64,204)	0	(906,067)
Text Books	(217,819)	(27,625)	118,968	(126,476)
Infrastructure	(18,890)	(6,286)	0	(25,176)
Total Accumulated Depreciation:	(12,498,844)	(1,348,272)	449,301	(13,397,815)
Total Capital Assets Being Depreciated, Net	28,670,433	(693,511)	(98,981)	27,877,941
Governmental Capital Assets, Net	\$30,161,171	(\$693,511)	(\$307,632)	\$29,160,028

* Restated- See Note 3

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 9 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$930,820
Special Instruction	2,219
Vocational Instruction	594
Pupils	12,646
Instructional Staff	81,941
Administration	39,167
Fiscal	1,784
Operation and Maintenance of Plant	141,661
Pupil Transportation	65,342
Central	3,631
Extracurricular Activities	60,898
Operation of Non-Instructional Services	<u>7,569</u>
Total Depreciation Expense	<u><u>\$1,348,272</u></u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides basic retirement benefits 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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. For fiscal year 2006, 10.58% was the portion of the School District's contribution used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$234,849, \$316,867, and \$238,488 respectively; 60% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$67,568 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System

The School District contributed to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer defined benefit pension plan. 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. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues publicly available, stand-alone financial report that includes financial statements and required supplementary information.

That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

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

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

For fiscal year 2006 plan members are required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent, 13% of which was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$524,116, \$652,401, and \$757,049 respectively; 90% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. \$50,460 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, no members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$39,994 for fiscal year 2006.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, the latest information available, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 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, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at to 2 percent of each employer's STRS salaries.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$81,402.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, (the latest information available) were \$223,443,805 and the target level was \$335.6 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum by all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

B. Life Insurance

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

NOTE 13 - SHORT-TERM OBLIGATIONS

As of June 30, 2006, the School District had \$18,000 in outstanding short-term obligation bond anticipation notes with interest rates between 4.34% and 4.94%. During fiscal year 2006, the School District retired bond anticipation notes in the amount of \$28,000. The debt had been reported in the Permanent Improvement Capital Project Fund and paid from the Debt Service Fund. The notes were originally issued to purchase a building to house the District's administrative offices.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Principal Outstanding 6/30/05	Additions	Deductions	Principal Outstanding 6/30/06	Due In One Year
Classroom Facilities Improvement Bonds 2000 5.73%	\$5,270,000	\$0	\$235,000	\$5,035,000	\$125,000
Total Long-Term Bonds and Loans	5,270,000	0	235,000	5,035,000	125,000
Compensated Absences	796,195	792,990	796,195	792,990	32,236
Capital Leases	1,593,613	9,000	66,930	1,535,683	71,583
Total General Long-Term Obligations	\$7,659,808	\$801,990	\$1,098,125	\$7,363,673	\$228,819

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

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

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 125,000	\$ 286,969	\$ 411,969
2008	150,000	280,088	430,088
2009	165,000	272,092	437,092
2010	200,000	262,735	462,735
2011	215,000	251,995	466,995
2012-2016	1,305,000	1,024,341	2,329,341
2017-2021	2,000,000	557,542	2,557,542
2022-2023	875,000	44,033	919,033
	<u>\$ 5,035,000</u>	<u>\$ 2,979,795</u>	<u>\$ 8,014,795</u>

The School District's voted legal debt margin was \$8,714,480 with an unvoted debt margin of \$152,772 at June 30, 2006.

Capital Lease Obligation

During fiscal year 2006 the District entered into a capital lease for a postage machine. The total amount of the capital lease obligation of \$9,000 was recorded as an increase in capital outlay and inception of capital lease in the General Fund in the fund financial statements. In previous fiscal years, the District entered into lease purchase agreements for copiers and 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 capital lease payments for all these leases will be classified as debt service in the General Fund in the fund financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. For the leased assets related to the Governmental Funds, a portion of the capital assets acquired by the lease have been capitalized in the government wide financial statements. The District's future minimum lease payments under capital lease obligations for Governmental Activities as of June 30, 2006 are as follows:

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$71,583	\$88,103	\$159,686
2008	76,050	83,153	159,203
2009	31,800	79,629	111,429
2010	33,800	77,976	111,776
2011	33,000	76,266	109,266
2012-2016	192,450	351,690	544,140
2017-2021	248,000	291,270	539,270
2022-2026	323,000	211,299	534,299
2027-2031	426,000	106,305	532,305
2032	100,000	5,814	105,814
	<u>\$1,535,683</u>	<u>\$1,371,505</u>	<u>\$2,907,188</u>

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

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

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

Hamilton/Clermont Cooperative Association - The School District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of H/CCA consists of the superintendents and/or treasurers of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid H/CCA \$51,834 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.

NOTE 16 - PUBLIC ENTITY RISK POOL

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 16 - PUBLIC ENTITY RISK POOL (Continued)

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

NOTE 17 - INSURANCE PURCHASING POOL

Ohio Association of School Business Officials Group Rating Plan - The School District participates in the Association of School Business Officials Group Rating Program (GRP), an insurance purchasing pool. The GRP’s business and affairs are conducted by the chamber of commerce. Sheakley UniService, the third party administrator, determines eligibility for the program using company claims and risk records provided by the State. Each year, the participating school districts pay an enrollment fee to Sheakley to cover the costs of administering the program.

NOTE 18 - CONTINGENCIES

A. Litigation

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

B. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

NOTE 19 -STATUTORY RESERVES

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

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

	Textbook Reserve	Capital Maintenance Reserve	Total
Balance 07/01/2005	\$407,029	\$88,920	\$495,949
Required Set-Aside	274,461	274,461	548,922
Qualifying Expenditures and Current Year Offset	(235,732)	(337,818)	(573,550)
Set-aside Balance Carried Forward to Future Years	\$445,758	\$25,563	\$471,321
Set-aside Reserve Balance as of June 30, 2006	\$445,758	\$25,563	\$471,321

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 20 – INTERFUND ACTIVITY

Interfund Balances

Interfund balances at June 30, 2006, consist of the following individual fund receivables and payables:

Fund	Interfund Receivable	Interfund Payable
Major Funds:		
General	\$24,787	\$0
Non-Major Fund:		
EMIS	0	7,576
Vocational Education Enhancement	0	3,201
Title VI-B	0	2,305
Vocational Education: Carl D. Perkins	0	3,705
District Managed Activities	0	8,000
Total Non-Major Funds	0	24,787
 Total	 \$24,787	 \$24,787

During the year, the General Fund made advances to other funds in anticipation of intergovernmental grant revenue and for the purchase of new band uniforms.

Interfund Transfers

Transfers made during the year ended June 30, 2006, were as follows:

Fund	Transfer From	Transfer To
<i>Major Funds</i>		
General	\$77,311	\$0
 <i>Non-Major Funds</i>		
EMIS	0	68,066
District Managed Activities	0	9,245
Total Non-Major Funds	0	77,311
 Total	 \$77,311	 \$77,311

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

NOTE 21 – SUBSEQUENT EVENT

On August 30, 2006, the Board of Education issued \$3,175,000 in general obligation classroom facilities refunding bonds. The bonds have an interest rate ranging from 4% to 4.25%. The bonds will mature in 2022.

Bethel-Tate Local School District
Clermont County

Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
Food Distribution	N/A	10.550	\$0	\$56,635	\$0	\$56,635
National School Lunch Program	LLP4	10.555	153,172	0	153,172	0
Total United States Department of Agriculture			153,172	56,635	153,172	56,635
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Education Agencies	C1S1	84.010	242,000	0	285,122	0
Special Education Grants to States	6BSF	84.027	400,416	0	400,416	0
Vocational Education Basic Grants to States	20A0	84.048	10,000	0	13,705	0
Safe and Drug Free Schools and Communities State Grants	DRS1	84.186	11,485	0	12,881	0
State Grants for Innovative Programs	C2S1	84.298	7,840	0	7,565	0
Education Technology State Grants	TJS1	84.318	3,758	0	3,056	0
Improving Teacher Quality State Grants	TRS1	84.367	83,590	0	82,924	0
Total United States Department of Education			759,089	0	805,669	0
Total Federal Financial Assistance			\$912,261	\$56,635	\$958,841	\$56,635

N/A - Not Available

See accompanying notes to the Schedule of Federal Awards Expenditures

BETHEL-TATE LOCAL SCHOOL DISTRICT
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -FOOD DISTRIBUTIONS

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.

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Ohio Society of Certified Public Accountants

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel Local School District (the School District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 11, 2007 in which we indicated the School District implemented GASB Statements No. 42, 46, & 47. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

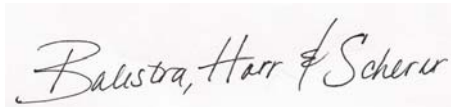
Members of the Board

Bethel Tate Local School District

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

Page 2

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

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

Balestra, Harr & Scherer, CPAs, Inc.

January 11, 2007

BALESTRA, HARR & SCHERER, CPAs, INC.

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

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

Compliance

We have audited the compliance of Bethel Tate Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

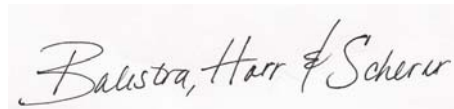
Members of the Board
Bethel Tate Local School District
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR
A-133

Internal Control Over Compliance

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.

January 11, 2007

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

**BETHEL-TATE LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under section .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.027 Special Education – Grants to States , CFDA #10.555 National School Lunch Program
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

BETHEL-TATE LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO
JUNE 30, 2006

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

BETHEL-TATE LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 3, 2007**