



**Auditor of State  
Betty Montgomery**



**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Bethel Local School District  
Miami County  
7490 South State Route 201  
Tipp City, Ohio 45371

To the Board of Education:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Bethel Local School District, Miami County, as of June 30, 2004, 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.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. 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.

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

**Betty Montgomery**  
Auditor of State

March 8, 2005

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

The discussion and analysis of the Bethel Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. 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 transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2004 are as follows:

**Overall:**

- Total net assets increased \$.8 million, which represents a 33 percent increase from fiscal year 2003. Increase due primarily to the District purchasing land through the issuance of debt that will be expensed over 30 years.
- Total assets of governmental activities increased by \$2.2 million, attributed to the \$.9 million increase in pooled cash and investments, \$.8 million increase in capital assets and \$.5 million increase in taxes receivable.
- General revenues accounted for \$6.7 million or 87 percent of total revenue. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions account for \$1.0 million or 13 percent of total revenues of \$7.7 million.
- Of the School District's \$6.8 million in expenses, only \$1.0 million were offset by program specific charges for services, grants or contributions. General revenues (primarily grants and entitlements, and property taxes) were used to cover the net expense of \$5.8 million.
- The General Fund and Permanent Improvement Fund, the only major funds, had \$6.4 million and \$.4 million in revenues, respectively, and \$6.7 million and \$.2 million in expenditures, respectively, representing 90 percent of the total governmental funds revenues and expenditures. The General Fund's balance increased \$.7 million and the Permanent Fund's balance increased \$.2 million over fiscal year 2003.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Bethel Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. 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 what remains 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. In the case of Bethel Local School District, the General Fund and the Permanent Improvement Fund are by far the most significant funds.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the School District's General Fund and Permanent Improvement Fund, the only major funds, begins on page 13. Fund financial reports provide detailed information about the General Fund and Permanent Improvement Fund. The School District uses many funds to account for a multitude of financial transactions. However, these funds financial statements focus on the School District's most significant funds, and therefore only the General Fund and Permanent Improvement Fund are presented separate from the other governmental funds.

**Governmental Funds**

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 an accounting method called modified accrual, which measures cash and all other financial assets that can readily be 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.



**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**The School District as a Whole**

Recall that 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 for 2004 compared to 2003:

**TABLE 1  
NET ASSETS (in 000's)**

	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Current and Other Assets	\$ 6,041	\$ 4,689
Capital Assets	2,616	1,730
Total Assets	8,657	6,419
<b>Liabilities</b>		
Long-Term Liabilities	1,296	335
Other Liabilities	3,815	3,334
Total Liabilities	5,111	3,669
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	1,625	1,730
Restricted	729	397
Unrestricted	1,192	623
Total Net Assets	\$ 3,546	\$ 2,750

The amount by which the School District's assets exceeded its liabilities is called net assets. As of June 30, 2004, the School District's net assets were \$3.5 million. Of that amount, approximately \$1.6 million was invested in capital assets, net of debt related to those assets. Another \$.7 million was subject to external restrictions upon its use. The remaining \$1.2 million was unrestricted and available for future use as directed by the Board of Education and the School District's Administration.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior-year information is available, a comparative analysis of district-wide data will be presented.

**TABLE 2  
CHANGE IN NET ASSETS (in 000's)**

	<b>2004</b>
<b>Revenues</b>	
Program Revenues:	
Charges for Services	\$ 684
Operating Grants and Contributions	269
Capital Grants and Contributions	55
General Revenues:	
Property Taxes	3,347
Grants and Entitlements	3,224
Other	98
Total Revenues	7,677
<b>Program Expenses</b>	
Instruction	3,483
Support Services:	
Pupils and Instructional Staff	411
Board of Education, Administration, Fiscal and	928
Business	
Plant Operation and Maintenance	538
Pupil Transportation	617
Central	123
Operation of Non-Instructional Services	351
Extracurricular Activities	289
Unallocated Depreciation	34
Interest and Fiscal Charges	32
Total Expenses	6,806
Increase in Net Assets	\$ 871

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**Governmental Activities**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Property taxes made up 44 percent of revenues for governmental activities for the Bethel Local School District for fiscal year 2004. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 55 percent of the School District's total revenue was received from intergovernmental sources during fiscal year 2004.

Instruction comprises 51 percent of the School District's expenses for fiscal year 2004. Support services expenses make up 38 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows 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. Comparisons to 2003 have not been made because they are not available.

**Table 3  
Total and Cost of Program Services  
Governmental Activities  
For Fiscal Year 2004 (000's)**

	<b>Total Cost of Service</b>	<b>Net Cost of Service</b>
Instruction	\$ 3,483	\$ 3,066
Support Services:		
Pupils and Instructional Staff	411	348
Board of Education, Administration, Fiscal and Business	928	928
Plant Operation and Maintenance	538	527
Pupil Transportation	617	608
Central	123	109
Operation of Non-Instructional Services	351	(12)
Extracurricular Activities	289	159
Unallocated Depreciation	34	33
Interest and Fiscal Charges	32	32
<b>Total Expenses</b>	<b>\$ 6,806</b>	<b>\$ 5,798</b>

Instructional expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupils and instructional staff include the activities involved with assisting the staff with the contents and process of teaching to pupils.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the District.

Plant operation and maintenance activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Operation of non-instructional services includes the preparation, delivery and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities, as well as services provided to the community at-large.

Extracurricular activities includes expenses related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Unallocated depreciation represents current period depreciation charges associated with capital assets that are utilized by several different functions, typically school buildings throughout the District.

Interest and fiscal charges involves the transaction associated with the payment of interest and other related charges to debt of the School District.

**The School District's Funds**

Information about the School District's General Fund and Permanent Improvement Fund, the only major funds, starts on page 13. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8.6 million and expenditures of \$7.7 million. The net change in fund balance was most significant in the General Fund, an increase of \$.7 million. Unreserved fund balance went from \$.7 million in 2003 to \$1.4 million. The increase was the result of the District entering into a capital lease for the purpose of purchasing land. The expenses associated with the capital lease proceeds are amortized over a 30 year period.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2004, the School District amended its general fund budget numerous times, none significant. Budgetary adjustments were required due to unanticipated revenues from federal grants. Other revenue and expenditure line items were also reviewed.

For the General Fund, budget basis revenue was \$ 5.9 million as compared to the original budget estimates of \$5.6 million. This difference included intergovernmental revenues initially budgeted at \$2.7 million with budget basis revenues coming in at \$3.2 million and tuition and fees revenue initially budgeted at \$.01 million with budget basis revenues coming in at \$.2 million.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$6.7 million, \$.3 million above revenues, as well as and \$1.2 million above original budget estimates.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**Capital Assets**

At the end of fiscal year 2004, the School District had \$2.6 million invested in land, buildings, furniture and equipment, and vehicles in governmental activities.

Table 5 shows fiscal year 2004 balances compared to 2003:

**Table 5  
Capital Assets at June 30 (in thousands)**

	2004	2003
Land	\$ 1,165	\$ 190
Land Improvements	337	327
Building and Improvements	1,818	1,806
Equipment	1,974	1,904
Vehicles	696	696
Less: Accumulated Depreciation	(3,374)	(3,193)
Totals	\$ 2,616	\$ 1,730

Overall capital assets increased approximately \$886,000 from fiscal year 2003.

For fiscal year 2000 and forward, Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and instructional supplies. For fiscal year 2004, this amounts to \$123,291 for each set aside requirement. When fiscal year 2004 qualifying disbursements for the capital improvements and textbooks were netted against the cumulative set aside amounts for the year, no set aside for capital improvements remained, however a set aside of \$46,083 will be carried forward to fiscal year 2005 for the textbooks reserve.

Capital asset acquisitions during fiscal year 2004 consisted primarily 132 acres of land with a total purchase cost of \$992,000. The land was acquired with the purpose of building new school buildings should the voters in the District approve the District's participation in the a statewide revitalization program operated under the direction of the Ohio School Facilities Commission. See accompanying notes to the basic financial statements for additional information

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**Debt Administration**

At June 30, 2004, the School District had a 30 year capital lease through which 132 acres of land was purchased. At June 30, 2004 the School District's overall legal debt margin was \$9.5 million and the unvoted debt margin was \$.1 million. See accompanying notes to the basic financial statements for additional information.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Karen Newman, Treasurer, at (937)845-9414

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$2,452,364
Receivables:	
Property and other taxes	3,437,537
Accounts	1,667
Intergovernmental	4,095
Inventory of supplies and materials	8,739
Inventory held for resale	5,732
Prepaid items	51,264
Restricted Assets:	
Equity in pooled cash and cash equivalents	79,354
Depreciable capital assets, net	1,451,063
Non-depreciable capital assets	1,165,600
	8,657,415
 Total Assets	 8,657,415
<b>Liabilities:</b>	
Accounts payable	15,739
Accrued wages and benefits payable	508,741
Intergovernmental payable	146,378
Deferred revenue	3,144,673
Long Term Liabilities:	
Due within one year	16,000
Due in more than one year	1,279,958
	5,111,489
 Total Liabilities	 5,111,489
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	1,624,663
Restricted for:	
Debt service	616
Special Revenue Funds	19,702
Capital projects	629,598
General Fund	79,354
Unrestricted	1,191,993
	1,191,993
 Total Net Assets	 \$3,545,926

See accompanying notes to the basic financial statements.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for services & sales	Operating grants and contributions	Capital grants and contributions	Total Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$2,748,220	\$229,975	\$50,338	\$6,790	(\$2,461,117)
Special	618,046	33,090	88,321		(496,635)
Other	116,822	8,273			(108,549)
Support Services:					
Pupils	221,650		63,768		(157,882)
Instructional staff	189,948				(189,948)
Board of education	31,533				(31,533)
Administration	598,496				(598,496)
Fiscal	241,850				(241,850)
Business	55,950				(55,950)
Operation and maintenance of plant	538,414			11,440	(526,974)
Pupil transportation	616,821			8,446	(608,375)
Central	122,814		5,000	9,000	(108,814)
Operation of non-instructional services	350,879	282,146	61,421	19,245	11,933
Extracurricular activities	289,148	130,627			(158,521)
Interest and fiscal charges	32,055				(32,055)
Unallocated depreciation *	33,398				(33,398)
<b>Total Governmental Activities</b>	<b>\$6,806,044</b>	<b>\$684,111</b>	<b>\$268,848</b>	<b>\$54,921</b>	<b>(\$5,798,164)</b>

General Revenues:

Property taxes levied for general purposes	2,970,434
Property taxes levied for capital improvements	377,067
Grants and entitlements not restricted to specific programs	3,224,019
Investment earnings	17,165
Miscellaneous	81,312
<b>Total General Revenues</b>	<b>6,669,997</b>
Changes in net assets	871,833
Net assets at beginning of year (see note 3)	2,674,093
<b>Net assets at end of year</b>	<b>\$3,545,926</b>

\* - This amount excludes the depreciation that is included in the direct expense of the various functions.

See accompanying notes to the basic financial statements.



**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,655,932	\$603,575	\$192,857	\$2,452,364
Receivables:				
Taxes	3,042,835	394,702		3,437,537
Accounts	1,667			1,667
Intergovernmental			4,095	4,095
Prepaid Items	51,264			51,264
Inventory of Supplies and Materials	7,748		991	8,739
Inventory Held for Resale			5,732	5,732
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	79,354			79,354
<b>Total Assets</b>	<u>4,838,800</u>	<u>998,277</u>	<u>203,675</u>	<u>6,040,752</u>
<b>Liabilities and Fund Balances:</b>				
Liabilities:				
Accounts Payable	12,397	2,236	1,106	15,739
Accrued Wages and Benefits	480,421		28,320	508,741
Intergovernmental Payable	96,935		9,507	106,442
Deferred Revenue	2,847,921	377,103	4,095	3,229,119
<b>Total Liabilities</b>	<u>3,437,674</u>	<u>379,339</u>	<u>43,028</u>	<u>3,860,041</u>
Fund Balances:				
Reserved for:				
Encumbrances	73,284	38,840	30,576	142,700
Supplies Inventory	7,748		6,723	14,471
Property Taxes	194,914	17,599		212,513
Budget Stabilization	33,271			33,271
Textbook and Instructional Material	46,083			46,083
Unreserved, Undesignated:				
General Fund	1,045,826			1,045,826
Special Revenue Funds			120,969	120,969
Capital Projects Funds		562,499	1,763	564,262
Debt Service Funds			616	616
<b>Total Fund Balances</b>	<u>1,401,126</u>	<u>618,938</u>	<u>160,647</u>	<u>2,180,711</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$4,838,800</u>	<u>\$998,277</u>	<u>\$203,675</u>	<u>\$6,040,752</u>

See accompanying notes to the basic financial statements

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

<b>Total Governmental Fund Balances:</b>		\$2,180,711
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.		2,616,663
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		84,446
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds.		
Intergovernmental payable	(\$39,936)	
Compensated absences	(303,958)	
Capital leases payable	(992,000)	
Total	<u>                    </u>	<u>(1,335,894)</u>
Net Assets of Governmental Activities		<u><u>\$3,545,926</u></u>

*See accompanying notes to the basic financial statements*

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$2,898,980	\$368,170		\$3,267,150
Intergovernmental	3,224,939	45,921	\$305,556	3,576,416
Interest	16,919		246	17,165
Tuition and Fees	206,814			206,814
Charges for Services	64,524		282,146	346,670
Gifts and Donations			3,976	3,976
Extracurricular Activities			130,627	130,627
Miscellaneous	25,310		52,026	77,336
<b>Total Revenues</b>	<u>6,437,486</u>	<u>414,091</u>	<u>774,577</u>	<u>7,626,154</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,591,942	32,212	77,421	2,701,575
Special	523,676		96,211	619,887
Other Instruction	114,751			114,751
Support Services:				
Pupils	127,901		93,544	221,445
Instructional Staff	164,484	5,694	6,528	176,706
Board of Education	31,533			31,533
Administration	593,153	1,150		594,303
Fiscal	237,108	6,655		243,763
Business	55,014		70	55,084
Plant Operation and Maintenance	485,023	54,275	2,378	541,676
Pupil Transportation	509,678	40,072		549,750
Central	95,836		23,733	119,569
Non-Instructional Services	989,381	91,301	318,272	1,398,954
Extracurricular Activities	149,572		133,154	282,726
Debt Service:				
Interest and Fiscal Charges	32,055			32,055
<b>Total Expenditures</b>	<u>6,701,107</u>	<u>231,359</u>	<u>751,311</u>	<u>7,683,777</u>
Excess of Revenues Over(Under) Expenditures	<u>(263,621)</u>	<u>182,732</u>	<u>23,266</u>	<u>(57,623)</u>
Other Financing Sources (Uses):				
Inception of Capital Lease	992,000			992,000
<b>Total Other Financing Sources (Uses)</b>	<u>992,000</u>			<u>992,000</u>
Change in Fund Balance	728,379	182,732	23,266	934,377
Fund Balance at Beginning of Year - Restated	672,747	436,206	137,381	1,246,334
Fund Balance at End of Year	<u>\$1,401,126</u>	<u>\$618,938</u>	<u>\$160,647</u>	<u>\$2,180,711</u>

See accompanying notes to the basic financial statements

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

Net Change in Fund Balances - Total Governmental Funds		\$934,377
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 outlay in the current period.		
Capital asset additions	\$1,103,894	
Current year depreciation	<u>(217,300)</u>	
Total		886,594
Issuance of debt is an other financing source in the governmental funds, but the revenue increases long-term liabilities in the statement of net assets		(992,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		51,723
Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Intergovernmental payable	21,316	
Compensated absences payable	<u>(30,177)</u>	
Total		<u>(8,861)</u>
Change in Net Assets of Governmental Activities		<u><u>\$871,833</u></u>

*See accompanying notes to the basic financial statements*

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues:</b>				
Taxes	\$2,856,147	\$2,813,133	\$2,813,133	
Intergovernmental	2,760,640	2,761,466	3,231,067	\$469,601
Interest		16,919	16,919	
Tuition and Fees	12,323	205,147	205,147	
Transportation		64,524	64,524	
Miscellaneous	1,400	26,633	26,633	
<b>Total Revenues</b>	<u>5,630,510</u>	<u>5,887,822</u>	<u>6,357,423</u>	<u>469,601</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,607,161	2,554,796	2,554,796	
Special	474,442	543,410	543,410	
Other Instruction	138,520	115,224	115,224	
Support Services:				
Pupils	137,504	140,635	140,635	
Instructional Staff	147,691	162,511	162,511	
Board of Education	18,571	33,283	33,283	
Administration	587,503	575,722	575,722	
Fiscal	180,664	210,430	210,430	
Business	40,959	54,885	54,885	
Plant Operation and Maintenance	503,482	546,267	546,267	
Pupil Transportation	374,925	508,350	508,350	
Central	111,424	100,317	100,317	
Non-Instructional Services		24,384	999,384	(975,000)
Extracurricular Activities	135,327	143,349	143,349	
Capital Outlay	998			
Debt Service:				
Principal Retirement	36,838			
Interest and Fiscal Charges	3,544			
<b>Total Expenditures</b>	<u>5,499,553</u>	<u>5,713,563</u>	<u>6,688,563</u>	<u>(975,000)</u>
Excess of Revenues Over(Under) Expenditures	<u>130,957</u>	<u>174,259</u>	<u>(331,140)</u>	<u>(505,399)</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures		29,425	29,425	
Proceeds from Sale of Debt			975,000	975,000
Transfers-In		11,000	11,000	
Transfers-Out		(11,000)	(11,000)	
<b>Total Other Financing Sources (Uses)</b>		<u>29,425</u>	<u>1,004,425</u>	<u>975,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	130,957	203,684	673,285	469,601
Fund Balance at Beginning of Year	826,111	826,111	826,111	
Prior Year Encumbrances Appropriated	150,870	150,870	150,870	
<b>Fund Balance at End of Year</b>	<u>\$1,107,938</u>	<u>\$1,180,665</u>	<u>\$1,650,266</u>	<u>\$469,601</u>

See accompanying notes to the basic financial statements

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

	<b>Private Purpose Trust</b>	<b>Agency Fund</b>
	<hr/>	<hr/>
<b>Assets:</b>		
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$695	\$28,869
Investments	73,749	
	<hr/>	<hr/>
Total Assets	74,444	28,869
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
Liabilities:		
Due to Students		28,869
	<hr/>	<hr/>
Total Liabilities		\$28,869
	<hr/> <hr/>	<hr/> <hr/>
Net Assets		
Held in Trust for Scholarships	74,444	
	<hr/>	
Total Net Assets	\$74,444	
	<hr/> <hr/>	

*See accompanying notes to the basic financial statements*

BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY

STATEMENT OF CHANGES IN NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2004

<b>Additions:</b>	
Interest	<u>\$452</u>
<b>Deletions:</b>	
Operating	<u>2,071</u>
Net Decrease in Assets Resulting from Operations	(1,619)
Net Assets Beginning of Year	<u>76,063</u>
Net Assets End of Year	<u><u>\$74,444</u></u>

*See accompanying notes to the basic financial statements*

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**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

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

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

The District was established in 1894 through the consolidation of existing land areas and school districts. The District serves an area of approximately 25 square miles. It is located in Miami County, and includes all of the Village of Brandt and portions of Bethel Township. It is staffed by 37 non-certified employees, 53 certificated full-time teaching personnel and 4 administrative employees who provide services to 955 students and other community members. The District currently operates two instructional buildings and one administrative building.

**A. Reporting Entity**

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

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

The District is associated with three organizations, which are defined as jointly governed and three insurance purchasing pools. These organizations are discussed in Note 15 and 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Metropolitan Dayton Educational Cooperative Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan
- Ohio School Plan

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Bethel Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its government-wide activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**A. Basis Of Presentation**

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

**1. Government-Wide Financial Statements**

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

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

**2. Fund Financial Statements**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental 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.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

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

**1. Governmental Funds**

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes 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 General Fund and Permanent Improvement Fund are the District's major governmental funds:

**General Fund**

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

**Permanent Improvement Fund**

The Permanent Improvement Fund is used to account for all transactions related to acquiring, constructing, and improving buildings and grounds to extend their useful life beyond five years.

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

**2. 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund is used to account for resources that belong to various student groups in the District.

**C. Measurement Focus**

**1. Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

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

**2. 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 statements for governmental funds.

**D. 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. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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 collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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 fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

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

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budget Data**

All funds, other than agency funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of 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 amount 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 Board has established the legal level of control at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

The appropriation resolution is subject to amendment by the Board throughout the school year with the restriction that appropriations may not exceed estimated resources. The amounts 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.

**F. Cash and Cash Equivalents**

To improve cash management, cash received by the District is pooled. Monies for all funds, are maintained in this pool. Individual fund integrity is maintained through the District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

The District invests in certificates of deposit, which are reported at cost, and STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold at June 30, 2004.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

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

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$16,919 which includes the general funds allocation as well as the allocations of all funds not specified in the Board's resolution. The non-major funds and private purpose trust also earned interest in the amount of \$698.

**G. Inventory**

On government-wide financial statements, inventories are presented at the lower cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, and purchased food. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**I. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District for the purchase of textbooks, instructional materials, capital acquisitions, and the creation of a reserve for budget stabilization. See Note 18 for additional information regarding set-sides.

**J. 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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

**K. Capital Assets and Depreciation**

General capital assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide statement of net assets but are not reported in the fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also not capitalized.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

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

All reported capital assets except for 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>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	8 – 20 years
Vehicles	10 years

**L. Interfund Activity**

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

**M. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered. The District records a liability for accumulated, unused vacation time for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method which states that the District will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated sick leave for all employees after ten years of current service with the District.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount due to employees who were retired at June 30, 2004, but were not paid as of that date. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**N. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions 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 during the current year.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

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

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

**P. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventory of supplies and materials, property taxes, budget stabilization, encumbrances, and textbook and instructional materials.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money previously received through workers' compensation rebates which are required to be set-aside by statute to be spent on specific purposes. The reserve for textbooks and instructional materials is money set aside as required by State statute.

**3. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF FUND BALANCE**

**A. Changes in Accounting Principles**

For fiscal year 2004, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements combine the governmental activities into one column. The beginning net asset amount for governmental programs reflect the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the new reporting model.



**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**3. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF FUND BALANCE (Continued)**

**B. Restatement of Fund Balances/Retained Earnings**

During fiscal year 2004 the District reclassified the food service, uniform school supply, and latchkey enterprise funds to a non-major special revenue fund for GASB 34. These restatements had the following effect on fund balance of major and non-major funds of the District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Permanent Improv.</u>	<u>Non-Major</u>	<u>Total</u>
Fund Balance June 30, 2003	\$ 665,255	\$ 436,206	\$ 119,310	\$1,220,771
GASB 34 Adjustment:				
Short-term compensated absences	7,492	-	-	7,492
Enterprise Reclassification	-	-	18,071	18,071
Adjusted fund balance June 30, 2003	<u>\$ 672,747</u>	<u>\$ 436,206</u>	<u>\$ 137,381</u>	1,246,334
GASB 34 Adjustments:				
Capital assets, net				1,730,065
Long-term liabilities				(61,252)
Long-term compensated absences				(273,781)
Long-term (deferred) assets				<u>32,727</u>
Governmental Activities Net Assets June 30, 2003				<u>\$2,674,093</u>

The food service, uniform school supply, and latchkey enterprise funds were reclassified to special revenue funds which are considered to be nonmajor for GASB 34. These restatements had the following effect on the retained earnings of the District's enterprise fund type as it was previously reported.

	<u>Enterprise</u>
Retained Earnings June 30, 2003	\$35,507
Capital assets	(36,942)
Compensated absences	3,792
Intergovernmental payable	15,710
Fund reclassification	<u>(18,067)</u>
Restated Retained Earnings June 30, 2003	<u>-</u>

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The following funds have fund equity deficits as of June 30, 2004:

	<u>Deficit Fund Equity</u>
Special Revenue:	
Title I	\$ 724
Class Size Reduction	4,186
Total Special Revenue	<u>\$ 5,720</u>

The deficit fund balances resulted from adjustments for accrued liabilities. Management expects the deficits in these funds to be corrected in early fiscal year 2005. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

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

**5. BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – 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 as follows:

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 fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

<b>Net Change in Fund Balance General Fund</b>	
GAAP Basis	\$ 728,379
Revenue Accruals	(80,063)
Expenditure Accruals	(66,134)
Other	12,425
Encumbrances	<u>78,678</u>
Budget Basis	<u>\$ 673,285</u>

**6. 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 District 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 either be 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 monies. Interim monies are those monies, which 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 accounts including passbook accounts.

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

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

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

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

1. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

**Deposits:** At year-end, the carrying amount of the District's deposits was \$2,631,792 and the bank balance was \$2,861,275. \$126,689 of the bank balance was covered by federal depository insurance and \$2,734,586 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

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

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

**Investments:** The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAROhio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. STAR Ohio had a fair value of \$2,224 at June 30, 2004.

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

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

	<b>Cash and Cash Equivalents</b>	<b>Investments</b>
GASB Statement 9	\$2,564,521	\$73,749
Certificates of Deposit	73,749	(73,749)
Cash on Hand	(1,015)	
STAROhio	(2,224)	2,224
GASB Statement 3	\$2,635,031	\$ 2,224

**7. 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 the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

**7. PROPERTY TAXES (Continued)**

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Miami County. 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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$194,914 in the general fund and \$17,599 in the permanent improvement capital projects fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	<u>2004 First Half Collections</u>		<u>2003 Second Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$107,266,830	91.60%	\$101,542,960	90.65%
Public Utility	3,820,200	3.26%	3,871,190	3.46%
Tangible Personal Property	<u>6,020,660</u>	<u>5.14%</u>	<u>6,603,050</u>	<u>5.89%</u>
Total Assessed Value	\$117,107,690	100%	\$112,017,200	100%
Tax rate per \$1,000 of assessed valuation	\$55.11		\$55.29	

**8. RECEIVABLES**

Receivables at June 30, 2004, consisted of current and delinquent property taxes, accounts (student fees), intergovernmental grants and interfund transactions. 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:

<u>Governmental Activities:</u>	<u>Amount</u>
Title VI-R Classroom Size Reduction Grant	\$4,095

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

**9. CAPITAL ASSETS**

	<b>Balance 6/30/03- Restated</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/04</b>
<b>Capital Assets, not being depreciated</b>				
Land	\$190,600	975,000	-	\$1,165,600
<b>Capital Assets, being depreciated</b>				
Land Improvements	326,884	9,997	-	336,881
Buildings and Improvements	1,805,545	12,868	-	1,818,413
Furniture and Equipment	1,904,295	106,029	(36,410)	1,973,914
Vehicles	696,215	-	-	696,215
	<u>4,732,939</u>	<u>128,894</u>	<u>(36,410)</u>	<u>4,825,423</u>
<b>Less: Accumulated Depreciation</b>				
Land Improvements	(250,051)	(32,919)		(282,970)
Buildings and Improvements	(1,172,187)	(41,343)	-	(1,213,530)
Furniture and Equipment	(1,360,315)	(99,212)	36,410	(1,423,117)
Vehicles	(410,917)	(43,826)	-	(454,743)
	<u>(3,193,470)</u>	<u>(217,300) *</u>	<u>36,410</u>	<u>(3,374,360)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,730,069</u>	<u>886,594</u>	<u>-</u>	<u>\$2,616,663</u>

\* - Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 99,629
Special	230
Support Services:	
Pupils	532
Instructional Staff	14,069
Administration	1,335
Fiscal	199
Business	1,075
Operation and Maintenance of Plant	5,188
Pupil Transportation	45,250
Central	3,245
Operation of Non-Instructional Services	5,994
Extracurricular Activities	7,156
	<u>183,902</u>
Unallocated Depreciation	33,398
Total Depreciation Expense	<u>\$ 217,300</u>

Unallocated depreciation is depreciation of the individual school buildings throughout the District which essentially serve all functions/programs, and therefore is not included as a direct expense of any function or program but disclosed as a separate expense.

**10. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted with Cincinnati Insurance Co. for property and contents insurance.

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

**10. RISK MANAGEMENT (Continued)**

During fiscal year 2004, the 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 school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 16). The District contracts for automobile liability, education general liability and employee benefits liability with OSP.

Insurance coverage provided includes the following:

Buildings and Contents – replacement cost (\$1,000 deductible)	\$10,818,306
Automobile Liability (\$0 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	50,000
Gym – leased from boosters	810,890
School Errors & Omissions Liability	1,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	3,000,000
Umbrella Liability	1,000,000

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

**B. Workers' Compensation**

For fiscal year 2004, the District participated in the Southwest Ohio Educational Purchasing Council of Worker's Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (see Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc., provides administrative, cost control, and actuarial services to the GRP.

**C. Medical Benefits**

For fiscal year 2004, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (See Note 16). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

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

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$122,463, \$70,735, and \$44,840, respectively; 41 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$71,876 represents the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds and the Statement of Net Assets.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.



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

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. 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.

For the fiscal year ended June 30, 2004, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$ 339,242, \$ 311,293, and \$ 203,514 respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for the fiscal year 2004 were 3,617 made by the District and \$3,448 made by the plan members

**C. Social Security System**

Effective, July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2004, one member of the Board of Education has elected Social Security. The District's liability is 6.2 percent of wages paid. The remaining Board members contribute to the School Employees Retirement System.

**12. POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System of Ohio (STRS Ohio) provides comprehensive healthcare benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. The R.C. grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year ended June 30, 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004. For the District, this amount equaled \$24,232 during the 2004 fiscal year.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

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

**12. POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, the Ohio Revised Code gives the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more 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 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, the allocation rate is 4.91 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School, the amount to fund health care benefits, including the surcharge, was \$66,866 for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits of \$300.8 million. The number of benefit recipients currently receiving health care benefits is approximately 62,000.

**13. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for all employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave to a maximum of 54 days for all employees.

**B. Health Care Benefits**

The District provides life insurance and accidental death and dismemberment insurance to employees through Anthem Life. The District provides health insurance coverage through United Health Care of Ohio, Inc. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on the terms of the union contract. Dental insurance is provided through Guardian.

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

**14. LONG-TERM OBLIGATIONS**

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

	<b>Amount Outstanding June 30, 2003</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding June 30, 2004</b>	<b>Amounts Due in One Year</b>
Compensated Absences	\$273,781	\$42,062	\$11,885	\$303,958	\$-
Capital Lease Payable	-	992,000	-	992,000	16,000
Total Governmental Activities	<u>\$273,781</u>	<u>\$1,034,062</u>	<u>\$11,885</u>	<u>\$1,295,958</u>	<u>\$16,000</u>

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

The capital lease was used to purchase 132 acres of land adjacent to the schools current location with the intent of building new school buildings in the future.

The District's overall legal debt margin was \$9,547,692 with an unvoted debt margin of \$117,108 and an energy conservation debt margin of \$1,053,969 at June 30, 2004.

The District's capital lease requirements to maturity are as follows:

<u>Year ended June 30,</u>	
2005	\$ 64,402
2006	67,918
2007	67,284
2008	67,560
2009	67,745
2010-2014	333,670
2015-2019	334,578
2020-2024	331,753
2025-2029	329,933
2030-2032	<u>194,773</u>
Total minimum lease payments	1,859,616
Less: amount representing interest	<u>(867,616)</u>
Present value of minimum lease payments	<u>\$992,000</u>

**15. JOINTLY GOVERNED ORGANIZATIONS**

**Metropolitan Dayton Educational Cooperative Association** - The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts with in the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. 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 MDECA consists of seven superintendents of member school districts, with six of the superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. Payments to MDECA are made from the general fund. During fiscal year 2004, the District paid \$30,309 to MDECA. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

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

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

**Southwestern Ohio Educational Purchasing Cooperative** - The District is a member of the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). SOEPC is made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2004, the District paid \$5,417 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation organized to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During the fiscal year 2004, the District paid \$2,628 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

**16. INSURANCE PURCHASING POOL**

**Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan** - The District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**16. INSURANCE PURCHASING POOL (Continued)**

**Southwestern Ohio Educational Purchasing Council Medical Benefits Plan** - The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**Ohio School Plan** - The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The 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. The OSP's business and affairs are conducted by a fifteen member Board consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group Inc. Hylant Group Inc., is the administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which established agreements between OSP and member schools.

**17. STATE SCHOOL FUNDING DECISION**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

**18. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an amount for the acquisition and construction of capital improvements. Although the District had qualifying offsets and disbursements during the year that reduced the set-aside amount below zero for capital acquisitions, these extra amounts may not be used to reduce the set-aside requirement of future years. Excess disbursements related to the textbook reserve may be carried forward from year to year. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**18. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)**

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2003	\$25,610	\$ -	\$33,271
Current Year Set-aside Requirement	123,291	123,291	-
Qualifying Disbursements	(102,818)	(1,141,889)	-
Current Year Offsets	-	-	-
Total	<u>46,083</u>	<u>(1,018,598)</u>	<u>33,271</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$46,083</u>	<u>\$ -</u>	<u>\$33,271</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. The portion of monies which had previously accumulated in the budget stabilization reserve that were not related to workers' compensation rebates received by the District, are now available for ordinary operating costs incurred by the District and therefore are reported as unreserved and undesignated fund balance in the General Fund. Current State statute requires the District to continue reporting funds received that were related to workers' compensation rebates in the budget stabilization reserve. Restrictions exist as to the manner in which these funds may be spent.

**19. CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not party to any legal proceedings.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Bethel Local School District  
Miami County  
7490 South State Route 201  
Tipp City, Ohio 45371

To the Board of Education:

We have audited the financial statements of Bethel Local School District, Miami County, (the District), as of and for the year ended June 30, 2004, and have issued our report thereon dated March 8, 2005, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 34. 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.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 8, 2005.

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

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated March 8, 2005.

Bethel Local School District  
Miami County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

March 8, 2005



**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. This prohibits expenditures from exceeding the amounts appropriated. At May 31, 2004, the following funds had expenditures exceeding the amounts appropriated:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
General Fund	\$5,724,563	\$6,316,714	(\$975,000)
School-Net Prof. Development	3,250	5,673	(2,423)
Ohio Reads	1,110	1,738	(628)
Summer Intervention	5,588	14,322	(13,318)
Miscellaneous Federal Grants Fund	5,082	7,041	(1,959)
Title I	54,974	55,194	(220)
Title V-R	26,510	29,932	(3,422)
Pupil Support	34,309	36,675	(4,366)
District Managed Fund	130,567	144,631	(14,064)
School-Net Plus	3,795	11,027	(7,232)
Food Service	162,608	204,576	(41,968)
Expendable Trust	1,758	4,765	(3,007)
Student Managed Activities	53,823	98,608	(44,785)

At June 30, 2004, the following funds had expenditures exceeding the amounts appropriated:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
General Fund	\$5,507,553	\$6,699,564	(\$1,192,011)
Pupil Support Fund	34,309	42,514	(8,205)
District Managed Fund	130,567	153,779	(23,212)
School-Net Prof. Development	3,250	5,673	(2,423)
Ohio Reads	1,110	1,738	(628)
Summer Intervention	1,004	15,253	(14,249)
Title VI-B	88,248	93,358	(5,110)
Title I	54,974	58,362	(3,388)
Title V-R	26,510	32,597	(6,087)
Miscellaneous Federal Grants Fund	2,630	4,105	(1,475)
School-Net Plus	3,795	11,027	(7,232)
IVDL Grant	1,200	2,400	(1,200)
Food Service	162,608	198,244	(35,636)
Uniform School Supplies	21,691	70,224	(48,533)
Expendable Trust	1,758	4,765	(3,007)
Student Managed Activities	53,823	96,382	(44,559)

The District should place policies and procedures in effect to prevent expenditures from exceeding the amounts appropriated. When it becomes apparent that the amounts appropriated are not sufficient to meet the Districts needs the Board should amend the amounts appropriated after reviewing the estimated resources available.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**BETHEL LOCAL SCHOOL DISTRICT**

**MIAMI 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  
MAY 5, 2005**